## U.S. Job Machine Rolls On With Little Sign of Inflation

By Mitchell Martin

NEW YORK — The U.S. unemployment rate fell to a 28-year low of 4.3 percent in April, the government said Friday, as 262,000 jobs were created, indicating the economy's seven-year expansion has farther to run.

Investors welcomed the news, which contained elements that allayed fears of an interest-rate increase, and stock prices rose. The Dow Jones industrial average closed 78.47 points higher at The unemployment report from the Labor De-

partment is the first look at the previous month's

economy, so it is closely followed on Wall Street. In recent days, investors had been worried that the Federal Reserve Board would push up shortterm interest rates to slow the economy before

German jobless rate falls to 11.4%. Page 11.

rising wage costs spilled over into prices. But the employment report allayed those concerns.

Stan Shipley, a Merrill Lynch & Co. economist, said that when averaged with the decline in job creation in March, the data indicated the economy was adding 130,000 to 150,000 jobs per month, "which is not very threatening" to investors who fear the Fed will soon raise rates. Now, he added, "there is no way the Fed will tighten in May, and the report 'calls into ques-tion whether they will tighten in July.' The cen-tral bank's Open Market Committee meets at six-

week intervals to decide its interest-rate policy. The figures contained some statistical quirks that seem to have overstated the fall in unemployment, which surprised analysts and investors. The companion report that showed that 262,000 jobs were created was in line with market expectations. The unemployment rate is taken from a household survey, while the payroll statistics

See JOBS, Page 10

	The Dollar	
New York	Finday @ 4 P.M	previous close
DM	1.7694	1.7669
Pound	1.6355	1.6485
Yen	132.845	133.30
FF	5.9327	5.927
<i>.</i>	The Dow	
<b>7</b>	Friday close	previous close
+78.47	9055.15	8976.68
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cuende	Friday & 4 P.M.	previous dose
+13,00	1108.14	1095.14

# Ramos Cools Off, and Businesses Warm to His No. 2



President Fidel Ramos of the Philippines trying to beat the heat with a towel as he campaigned Friday for his candidates. He opposes the front-runner in the presidential election Monday,

## U.S. Senate Unanimous On Overhauling the IRS

Taxpayers Would Get Extensive New Rights

By Albert B. Crenshaw Vashington Post Service

WASHINGTON - The U.S. Senate has voted unanimously to approve the most far-reaching overhaul of the Internal Revenue Service in more than 45 years, responding to a political outcry over alleged abuses by the tax collection service's agents and managers.

The measure, passed by a vote of 97 to 0, would set up an oversight board made up mostly of nongovernment members to review IRS operations, set policy and establish greater Treasury Department control over the internal unit that investigates complaints against

It also would grant taxpayers extensive new rights in dealing with the service. Under the bill, if a taxpayer became embroiled in a court battle with the government over a tax liability, the burden of proof would fall on the service rather than the taxpayer, so long as the taxpayer kept records and cooperated with the service.

The measure would provide new protections for people stuck with tax bills incurred by a former spouse, limit penalties and interest now imposed in a variety of situations and restrict the

agency's collection methods. The Senate bill would cost the Treasury an estimated total of \$18.3 billion over 10

resulting from the new taxpayer rights. The senators agreed to pay for those costs by restricting several corporate write-offs and by making it easier for wealthy senior citizens to convert traditional individual retirement accounts to new Roth IRAs. Critics contended that the IRA provision would increase revenue only in the short run while losing it in future years.

years, most of that from revenue losses

"The IRS is going to change and change dramatically as result of this" legislation, said Senator Bob Kerrey, Democrat of Nebraska, who was cochairman of a congressional commission that spent a year studying the agency. Along with the Senate Finance Committee chairman, William Roth Jr., Republican of Delaware, Mr. Kerrey was a key architect of the measure.

Beyond the rules and structural changes, Mr. Roth said the bill would change the culture of the IRS from a focus on law enforcement to one on

customer service. Today, "the agency has too much

See IRS, Page 5

### Vice President Joseph Estrada, who is gaining acceptance by the business community. Page 9. \* Rattled Japan Carmakers Keep Hope in Face of Mega-Merger

By Sheryl WuDunn

NATSUSHIMA, Japan — Standing inside the dormitory he manages for Nissan Motor Co., Mutsumi Goto looked a bit befuddled by the whirlwind on the other side of the world. "It's an epoch-making event and I feel a little bit left behind." Mr. Goto said.

A former factory team leader at Nissan, Mr. Goto, 60, was speaking of the union between Chrysler Corp. and Daimler-Benz AG. And if miles) from Tokyo where Nissan produces cars-

Battle for Rolls-Royce isu't over. Page 9.

mostly headed for America, it is because this is not the way it was supposed to happen.

Not long ago, it was the Japanese auto companies that seemed to be invading the United States and poised to take over the world. Now a new killed off two decades ago with a German firm that was perceived as filling a luxury niche.

In Japan, the greatest auto manufacturing country in the world outside the United States, there is still a feeling, perhaps mixed with a good deal of hope, that the merger between Chrysler and Daimler-Benz will not immediately affect Japan. Analysts say that Japanese cars are still well-designed and relatively cheap, and that Japan has cornered more than

he and other people are dismayed here in Nat-sushima, a company town 65 kilometers (40 company that Japanese auto companies almost according to Merrill Lynch, will still be a growing market in the long run.

And Toyota Motor Co. and Honda Motor Co., which make some of the most world's competitive cars, have been on a hot streak and their worldwide sales are expected to remain brisk. Indeed, Honda's profit returns are not too far behind those of U.S. companies, and Toyota. with \$21 billion in cash, has enough money to

See JAPAN, Page 5

## Netanyahu Aide Sees 'No Way' **To Meet Deadline** For Talks in U.S.

He Speaks After Clinton Envoy Discusses West Bank Pullout With Israeli Prime Minister

By Serge Schmemann
New York Times Service

JERUSALEM — An Israeli government spokesman said Friday night that there was "no way" Prime Minister Benjamin Netanyahu could meet Washington's deadline of Monday to decide on withdrawing troops from another 13 percent of the West Bank.
But the spokesman, David Bar-Ilan, insisted that
Mr. Netanyahu was still "hoping to find a solution that
would be satisfactory to all sides, and to go on."

He declined to say whether a decision Tuesday was a possibility. The Clinton administration has signaled that it might be willing to postpone its deadline a day or

two, but not more.

Mr. Bar-llan spoke after Mr. Netanyahu met for an hour and a half with President Bill Clinton's special

American Jewish support for the Clinton administration is bolding firm. Page 15

envoy to the Middle East, Dennis Ross. He flew into Israel on a U.S. Air Force plane Friday for a last-ditch attempt to salvage a deal that would restart peace negotiations with the Palestinians.

Neither Mr. Netanyahu nor Mr. Ross offered any comment before the Jewish Sabbath imposed a curtain of public silence at sundown. Mr. Ross was to remain in Israel through Saturday, leaving open the possibility of further discussions, though none were publicly announced.

Mr. Bar-Ilan's comments underscored the acute brinkmanship that was evidently being exercised by both the Israelis and Americans now that Mr. Clinton has issued for the first time what amounted an ul-

After more than a year of futile efforts to restart negotiations, Secretary of State Madeleine Albright told Mr. Netanyahu in London this past week that he had until Monday to accept an American package calling on Israel to transfer control over another 13 percent of the West Bank to the Palestinians in exchange for a concrete Palestinian plan of action against

If they agreed, Mr. Netanyahu and Yasser Arafat of the Palestinian Authority were invited to come to Washington to begin talks on a final Middle East

peatedly warned that it cannot accept anything bigger than a 9 percent pullback, and the prime minister promptly began a counterattack, accusing the Clinton administration of tampering with Israel's security and calling on his supporters among American Jews and in the U.S. Congress to intervene.

One of Mr. Netanyahu's current problems is that Ariel Sharon, the most influential hawk in his cabinet, and two other key members are abroad.

The cabinet meets regularly on Sunday, but Mr. Bar-Ilan said the question of a further withdrawal was not formally on the agenda. He portrayed the gov-

See ISRAEL, Page 5

## An Awakening in Poland

#### Battered Women Get Attention in a Campaign To Sensitize the Public to Domestic Violence

By Jane Perlez New York Times Service

PRUSZKOW, Poland — In the beginning, Bozena L. felt flattered by the attention her new husband showered on her. He walked her to work, picked her up afterward and was always concerned about where she went.

In the style of many Polish men who love to act like gallant knights, he bowed his head and kissed women on the hand.

But as he began to abuse her, she realized his protectiveness was really jealousy. Now 15 years later, after suffering repeated beatings, she has brought criminal charges against him and filed for divorce. But Bozena, 47, and their two sons still live with the man she has long feared.

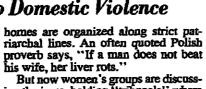
When her husband, Caeasar, a burly 60-year-old, came home to their cramped apartment on a recent night as Bozena sat with two visitors in a bedroom, he seethed with anger. He entered his bedroom, now separate from hers. Ever so slightly, she quivered.

Domestic violence is becoming a

public issue in Poland, a nation where the sanctity of the family is of almost mythical importance and where most

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But now women's groups are discussing the issue, holding "tribunals" where women tell their stories and seminars to sensitize the police and prosecutors, who have often dismissed such complaints.

A national billboard campaign has alerted Poles to the idea that brutality is more than just a family spat. One billboard shows a badly beaten women with blood on her lips and her battered son. The tag line reads, "Because the soup was too salty.

Statistics are notoriously hard to pin down in Poland, but in 1995 the courts recorded a 33 percent rise in the number of domestic violence cases, suggesting

See POLAND, Page 5



A Warsaw billboard showing a battered face says, "Because he had to let off steam." It is part of a campaign to publicize domestic violence.

### Pilot Lands Blind in DC-9 Cockpit Window Smashed by Hail and Wind,

## But All 86 on U.S. Flight Escape Serious Injury

CHATTANOOGA, Tennessee —

Hailstones and high winds tore the nose cone away and broke a cockpit window of an AirTran jetliner, forcing the plane to make an emergency landing. None of the 86 people aboard

was seriously injured.
"I love my wife," said a shaken
Captain Benton West, the pilot of the scheduled flight Thursday from Atlanta to Chicago. "I'm going to see her again."
"I've been shot down twice in Vi-

etnam," he said "so this — it wasn't going to end like this." Amateur video footage aired on

WTVC-TV in Chattanooga showed a smashed window and the torn nose cone of the DC-9 jetliner. There were also dents in the wings. AirTran was formerly known as

Valulet. The airline's name was changed in 1997, following a crash on May 11, 1996, in the Florida Everglades, in which 110 people were killed. On May 1, 1996, American Air-lines was forced to cancel nearly 300

flights after hail as big as softballs damaged 51 jets and 24 smaller planes parked at Dallas Fort-Worth International Airport. David Garrett, air traffic manager

at Chattanooga Metropolitan Airport. said the DC-9 had not lost its ability to land, "but the pilot wasn't able to see because of the cracked windshield and the nose cone damage.

Controllers guided the aircraft to the nunway while emergency crews were put on alert, Mr. Garrett said. Two people were sent to hospitals with minor injuries, and passengers were transferred to another plane bound for Chicago.

#### AGENDA

#### U.S. Cancels War Games in Indonesia

WASHINGTON (AFP) - The United States canceled a military training exercise with Indonesia and is reviewing all other scheduled joint military activities because of concern over the situation there, a Pentagon spokesman said Friday.

"We thought it would be inappropriate to continue training at this time," the spokesman said.

At least 60 people were injured Friday by police beatings and tear gas during student protests in central Java. Page 4.

#### Toll Increases to 91 in Italian Mud Slides

Italian rescue workers pulled out more bodies on Friday from homes and cars engulfed in mud slides, but said three days after the disaster that some isolated areas had yet to be reached. Authorities put the death toll

Clouds of choking, blinding dust, sent up from rivers of baking mud, hampered efforts to dig for the missing near Naples. Page 2.

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Crossword	Page 6.
Books	Page 6.

## Black Death's Gift: Protection From AIDS

By David Brown Vashington Post Service

WASHINGTON — Survivors of the Black Death, which ravaged Europe in the 14th century, apparently bequeathed to their descendants the ability to resist infection by the AIDS virus.

That is the conclusion of a team of scientists studying a rare genetic mutation that confers on its carriers protection against the human immunodeficiency virus, which causes AIDS.

Although the origin of the mutation is obscure, it appears to have suddenly become relatively common among white Europeans about 700 years ago. That increase suggests something must have occurred about that time to favor greatly the survival of people carrying the mutation. In fact, such an event is known to have existed: the epidemic of bubonic plague that swept out of Asia and into Europe in 1346.

#### 14th-Century Plague **Caused Key Mutation**

The chance of this gene "randomly drifting up" to its current frequency among white Europeans is unlikely, said Stephen O'Brien, a molecular biologist at the National Cancer Institute who headed the research team. "In fact, it's impossible," he said. "There had to have been something going on that jacked it up.

The Black Death was one of the cataclysmic events of recorded history. A bacterial disease spread by rats and fleas, it killed between one-quarter and one-third of Europe's population between 1347 and 1350. In some places notably Florence, Marseille and other crowded Mediterranean cities — more than half the inhabitants are believed to

Several waves of the disease followed the initial one, and the continent's population did not reach its pre-epi-demic size for 100 years. By then, much of feudalism's distinct economic features had been crippled or swept away, and the modern period had begun.

Just as bubonic plague permanently altered the structure of Western society, so it appears to have altered the genetic endowment of Westerners, or at least some of them. The mechanism by which

this might have occurred is fairly straightforward.

All genetic mutations arise by chance. Some are harmful and disappear quickly because people carrying them die before they can have children and pass on the mutation. Some are neutral, neither immediately harmful nor immediately beneficial. They spread through a population but never

See PLAGUE, Page 5

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## **Death Toll** Rises to 91 In Mudslides **Near Naples**

QUINDICI, Italy --- Rescue workers pulled out more bodies on Friday from homes and cars engulfed in mud slides, but said three days after the disaster that some isolated areas had yet to be reached. Authorities put the death toll at 91.

Clouds of choking, blinding dust, sent up from rivers of baking mud stretching as far as the eye could see in some parts, hampered efforts to dig for the missing. Their numbers varied from about 100 to more than double that:

'The biggest problem right now is the dust, because it creates respiratory problems and makes seeing difficult," said Quindici's head doctor, Mario Siniscalchi, who is coordinating the health side of the rescue effort.

'We can't find any masks in all of Campania," the region where mudslides on Tuesday swept away parts of several southern towns, the doctor said. A total of 66 of the dead were found in Sarno, the hardest-hit town in the valley running along the foot of Mount Sarno,

halfway between Naples and Salerno. In this small town 125 kilometers (75 miles) east of Naples, the top priority was clearing roads to reach outlying homes, said Gaetano Simonetti, a civil defense coordinator.

Lack of supplies hampered the efforts. "We don't have all the trucks we

He said that eight bodies were found Friday and that "there is no way to tell how many people are still lost."

Near him, a mound of cars on a main

road lay crushed on top of each other, swept away by a mud torrent Tuesday night. Some of the cars were buried and it was impossible to tell if people were

In a sign of the fury and force of the mud onslaught, five homes in one part of town were swept away.

The civil defense agency has reported widely fluctuating numbers of missing. The latest count was 107, but officials in Samo said the number was double that

Forty U.S. Navy engineers arrived in Lanro, the next town over, to build a tent city for Italian rescuers at an old factory

Days after torrential rains unleashed the massive landslides in a heavily pop-ulated area, rescue crews were finding mostly bodies, not survivors.

"There still might be a few lucky survivors, trapped in air bubbles in the mud, or within undamaged structures," said a civil defense official. Roberto Malisan, in Samo. "But the more hours pass, the more hope fades." Even as rescue crews looked for sur-

vivors, some people began returning home.

On the main street in Quindici, the mud flow was up to doorknob levels. Families tried to dig through to their front doors.

The mood was at times ugly, with residents complaining that rescue workers were not helping them get inside. "Unfortunately, the residents are very agitated," Mr. Simonetti said. "In-

stead of helping us out, they are breathing down our necks, complaining we aren't helping them clean out their



Mr. Annan, arms crossed, with his wife, Nane, at a graveyard Friday in Nyanza where some of the Tutsi killed in the 1994 genocide are buried.

## Annan Takes the Rap in Rwanda

### UN Chief Protects West for Its Inaction During Genocide

By James C. McKinley Jr. New York Times Service

KIGALI, Rwanda - The UN secretary-general walked into a political ambush at week's end, absorbing several highly personal attacks from Rwandan leaders who blame the United Nations for failing to intervene in the 1994 genocide here.

For most of his visit, the secretarygeneral, Kofi Annan of Ghana, defiantly defended his decisions in 1994, when he was head of peacekeeping operations, arguing that world leaders had failed to provide the UN with the troops and mandate needed to stop the killing.

"I have no regrets," he said. On Friday morning, as he visited a shed full of skulls belonging to victims of the genocide in Mwurire, 50 kilometers (20 miles) auticle Vice 2 Management (30 miles) outside Kigali, Mr. Annan tried again to point out that the major powers had known about the genocide,

but were not willing to intervene. 'The international community could not muster the resources or the will to come to Rwanda's aid," he told a group

of survivors But even while he admitted that everyone had failed Rwanda, Mr. Annan resisted casting blame on specific members of the Security Council, which had the final say over sending more

troops to save Tutsi victims. In essence, Mr. Annan took a political beating here to protect Western leaders who, despite receiving early warnings

of the impending slaughter, resisted get-

ting involved in the Rwandan massacres until it was far too late to belp.

Put simply, Mr. Annan took the abuse to shield the United States. It was the Americans, still stinging from their failed peacekeeping operation in So-malia in 1993, who had resisted getting involved in the Rwandan killing in the spring of 1994 until it was far too late to save most of the genocide victims, aides

to Mr. Annan said privately.
"The Americans said no," one aide said, "It was fresh after Somalia, and the Americans were not going to have it." The contretemps between Mr. Annan

and his Rwandan hosts also highlights another ANALYSIS ugly political reality in Rwanda since a Tutsi rebel army ended the genocide and set up the present government. It is convenient for the current regime to blame the rest of the world for failing to save

Rwanda from itself. The government here has plenty of reasons for keeping the memory of the UN failure alive. To start with, despite some progress in bringing moderate Hutu into positions of power, Rwanda's government remains an undemocratic regime controlled by the Tutsi minority, many of whom are hungry for ven-

geance for the massacres. That Tutsi rebels stopped the genocide while the world's great powers dithered on the Security Council gives the current government legitimacy and

the moral authority to rule. What is more, the United Nations perceived failure in 1994 makes it hard for Western powers to criticize Kigali's human rights record, which is far from perfect. Rwandan troops not only are accused of massacring thousands of Hutu refugees in neighboring Congo during the civil war there last year, but also regularly conduct campaigns against Hutu guerrillas in which civil ians are killed.

Finally, playing the victim of an international conspiracy of neglect is a platform for demanding more aid to ebuild Rwanda.

UN officials received information from the Canadian commander of peacekeeping forces in Kigali as early as January 1994 that a genocide was being planned by Hutu extremists.

On April 6 of that year, these militant

Hutu seized control of the government scuttled a UN-brokered peace accord with Tutsi rebels and started a campaign to exterminate all the Tutsi in government-controlled areas.

The next morning, the Hutu hardliners captured, tortured, murdered and mutilated 10 Belgian peacekeepers. It was a clever tactic. Within two weeks, Belgium withdrew all its troops, leaving

the commander of the peacekeeping op the commander of the peacekeeping op the ration, General Romeo Dallaire, with a small, ill-equipped force.

For several weeks, while the Security Council delayed making a decision, the UN soldiers did little more than guard a feet however, where frightened. few havens where frightened Turn had gathered for protection. The slanghter continued across the country.

#### BRIEFLY

### Hague Free 14 Serbs, for Now

THE HAGUE — The United Nations war crimes tribunal said Friday it had dropped charges against 14 Bosnian Serbs connected to two notorious camps where thousands of Bosnian Muslims and Croats were interned

during the Bosnian war. The 14 men had been accused by the International Criminal Tribunal for the former Yugoslavia of committing war crimes at the Serb-run Omarska and Keraterm detention camps in the Prijedor region of northwestern Bosnia-Herzegovina.

The chief prosecutor, Louise Arbour, said she had asked for the withdrawal of the indictments because the tribunal did not have the resources to try all the men separately, as required. She reserved the right to reindict

#### ETA Is Blamed in Shooting

VITORIA, Spain - A retired Civil Guard officer was seriously wounded by a gunman Friday in an attack attributed to the Basque separatist group ETA.

Alfonso Parada Ulloa, 61, was shot in the head as he

was leaving his home in the Basque capital, Vitoria a regional government spokesman said. Doctors said he was in extremely critical condition.

German Coalition Talks Fail MAGDEBURG, Germany, — Talks between the Social Democrats and Christian Democrats aimed at form-

ing a coalition government in the eastern state of Saxony-Anhalt collapsed Friday. The state premier, Reinhard Hoeppner, a Social Democrat, said the two parties could not agree on how to deal with the anti-immigrant German People's Union, which won 13 percent of the vote in Saxony-Anhalt in elections

A coalition of the two parties in Saxony-Anhalt had been expected to help the Social Democratic candidate for chancellor, Gerhard Schroeder, in the race against Helmut Kohl in September. (Reuters)

### Ruling Socialists Are Favored in

**Hungary Election** 

BUDAPEST - Buffeted by economic hardships for years, Hungary has emerged as the star performer in Eastern Europe going in-

to national elections Sunday.

Along with the recent U.S. endorsement of its entry into the North Atlantic Treaty Organization, the economic turnaround has put the governing Socialist Party in a strong, although not unassailable, position going into the vote.

As the 12 parties contending for seats in Parliament held final rallies Friday, the latest public opinion polls mostly showed the Socialists with a slight lead over the centerright opposition Young Democrats-Hungarian Civic Party.

Analysts expect the Socialists, a pro-reform successor party to the Soviet-era Communists who came to power in 1994, to retain the leadership once results are in from a May 24 runoff.

Éven opposition parties now concede that Hungary's economy is growing as a result of the austerity measures imposed by the governing party three years ago.

At stake Sunday, along with all 386 seats in Parliament, is the chance to form the next government.

The West has lauded the government's performance in Hungary, which has supplanted the Czech Republic as the economic leader in the former Soviet bloc. The economy grew 4.4 percent last year, and inflation has been falling

## **Amnesty Denied for ANC Chiefs**

CAPE TOWN - A blanket amnesty for the top leaders of the governing African National Congress, including Deputy President Thabo Mbeki, was over-turned by the High Court on

Friday.
"There is granted an order reviewing and setting aside the decisions made by the committee on amnesty," said judge Johan Conradie in setting aside the amnesty for apartheid-era human ted to the 37 ANC leaders by the Truth and Reconciliation Com-

The amnesty committee of the truth commission last November pardoned top ANC members, in-cluding Mr. Mbeki, President The truth commission was set

Nelson Mandela's heir apparent, up in 1995 to try to uncover the and five other cabinet members. But the amnesties, granted for

unspecified human-rights offenses committed during apartheid rule, provoked controversy because they were awarded in a victims. block without public hearings and without revealing what crimes the 37 had committed.

The truth commission decided in January to ask the court to rule on the decision of its amnesty committee, but the opposition rights abuses that had been gran- National Party lodged its own

The ANC, which originally said it would oppose overturning the blanket amnesty, last week withdrew its opposition, speed-

truth about apartheid-era atrocities, reconcile the country's divided races, grant amnesty to those who confess in full to political crimes and award damages to The legislation setting up the

truth commission required that all amnesty applicants provide a full disclosure of their actions and their motivations. It does not require any apology,

and many of the former apartheid security force members have refused to apologize for their actions, although others have.
The ANC conducted a low-

level armed struggle against the apartheid regime that included a series of bombings, some of which resulted in civilian deaths.

### Nigeria Arrests Main Opposition Leader

geria's main opposition group, United Action for Democracy, was arrested Friday by state security which are now limited. police, colleagues in his law office said. He was arrested at Lagos airport on his way back from a trip abroad, they said.

United Action, a coalition of 25 pro-democracy groups, called May Day protests against the military ruler, General Sani Abacha. Seven people were shot and killed during one of the protests, in the southwestern city of Ibadan.

The military authorities had threatened to crack down on the ringleaders, and activists say that at least 20 people have been arrested since then. The protests were called after five legally per-

mitted political parties chose General Abacha as the sole candidate for the Aug. 1 presidential election.

Western countries have described General LAGOS — Olisa Agbakoba, the leader of Ni- Abacha's plan for transition to democracy as a

#### ■ Nigeria Frees 142 Prisoners

Nigeria said this past week that it had freed 142 prisoners on orders of General Abacha, The Washington Post reported.

Those freed include four journalists but few other political prisoners, Nigerian newspapers The freed journalists are Muhammad Amadu and Soji Omotunde of the newspaper African Con-

cord; Babafemi Ojudu of The News; and Onome Osifo-Whiskey of Tell magazine.

Also freed was Ogaga Ifowodo of the Civil Liberties Organization, a human rights group.

**WEATHER** 



planned visiting days, beginning Sunday.

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Herald Eribune THE WORLIPS DAILY NEWSPAPER

British Airways PLC has delayed the start of its nonstop London-Denver flights from June 1 until Aug. 1 while waiting for approval from the U.S. Department of Transportation, the Denver Post reported. Japan Airlines Co. Ltd. said Friday it planned to reduce fares by up to 50 percent on round-trip flights from cities in the United States to those in Japan from May 22 to July 25. A JAL spokesman said the carrier filed an application Thursday with the Transport Ministry for the fare cuts. For the discounts, tickets need to be issued by May 22. (Reuters)

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Forecast for Sunday through Tuesday, as provided by AccuWeather North America Unsettled and cool Sur ray shower in Paric Sun- It may shower in Tokyo day, then become parity Sunday, but it will be much sunny and warm. Cool with warmer by Tuesday Very showers in Athens Madrid humid in Hong Kong with will also be cooler than the chance of a shower normal Heavy rain is likely onch day Soaking ran will in northwestern Spain reach from near Shanghai Mondey and Tuesday.

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# Minnesota and Big Tobacco: \$6 Billion Deal

ST. PAUL, Minnesota - Minnesota reached a tentative \$6 billion semilement on Friday of its lawsuit against tobacco companies just as jur-ors were scheduled to hear more closing arguments in the three-and-a-half-

John Coale, a Washington lawyer who helped negotiate a national tobacco settlement last summer, said details of the agreement would be announced later.

Television and radio reports in Washington also reported a tentative settlement, saying the money would be paid over 25 years. In St. Paul, neither tobacco companies nor plaintiffs would confirm a sentement.

Closing arguments were delayed

Ciresi, had been scheduled to give his summation, but Judge Kenneth Fitzpatrick of Ramsey County District Court opened the day's session

by announcing an immediate recess. KARE-TV in Minneapolis said the state would get \$5 billion, with an additional \$400 million going to coplaintiff, Blue Cross and Blue Shield of Minnesota, and \$600 million being paid directly to the plaintiff attorneys.

In talks this week, the two sides had been reported to be negotiating a settlement of more than \$5 billion. The Saint Paul Pioneer Press reported Friday that at least one of the tobacco firms wanted "very badly" to settle the case and might break ranks with its peers.

Minnesota would have received

reached last summer that later fell apart. The state becomes the fourth to settle a tobacco lawsuit.

Three states settled before testimony began in their cases: Mississippi for \$3.36 billion, Florida for \$11 billion and Texas for \$15.3 billion. Besides Minnesota, 37 other states

In closing arguments Thursday, a defense attorney asked the jury not to make a scapegoat out of the tobacco industry for the smoking habits of children. Robert Weber urged jurors to think critically as they weighed the state's and Blue Cross's \$1.77 billion damage claim against the 10 defen-

without explanation Friday morning. about \$4 billion under a proposed than to say you want a bunch of not one of them, Mr. Weber said.

The plaintiff's lead anomey, Michael \$368.5 billion national settlement money," said Mr. Weber, who represents R. J. Reynolds Tobacco Co. 'Don't let emotion get in the way of

> facts.' Summing up the industry's case, Mr. Weber said the plaintiffs failed to prove any wrongdoing by the defendants that caused the state or Blue Cross to incur additional health care

Mr. Weber reminded the jurors that defense witnesses included the marketing executives behind R. J. Reynolds's Joe Camel ad campaign and the 'Marlboro Country' campaign of Philip Morris Inc., who both testified that they never aimed their marketing efforts at children.

dants. There are many reasons why ad-"It's easier to talk about children olescents smoke, but advertising is

## EU Seeks U.S. Help Against Cigarette Traffic

### Prosecutors Say American Companies Refuse to Release Data on Customers

By Raymond Bonner New York Times Service

VIENNA — European governments, increasingly frustrated by the rising volume of American cigarettes smuggled into Europe, have decided to turn to Washington for help in investigating the suspected involvement of American tobacco companies, starting with R. J. evade foreign taxes and offer his clients were smugglers. Reynolds Tobacco Co., according to a senior European

Union official. the EU to formally request help from the U.S. government in combating the illicit cigarette trade, and arises out of a conviction that the American companies are in comcompanies have consistently U.S. authorities.'

By Felicity Barringer

New York Times Service

about a new drug therapy for cancer was

published in The New York Times, agents

On Tuesday, one of these reporters —

same topic that a publishing industry source

Ms. Kolata said Thursday that the day her

article appeared, she received a call from

John Brockman, the literary agent, who

and I can get you \$2 million," " she said.

specializes in science and technology. "He

among New York publishers.

agent to withdraw her proposal.

said would bring him \$1 million.

a story could cast doubt on coverage.

NEW YORK — A day after an article

resisted their efforts to obtain for assistance.

Authorities say they believe that the manufacturers routinely sell American cigarettes to traders and dealers who immediately resell them into black markets set up to leading brands at a discount.

"We are always puzzled how the cigarette manufac-It will be the first time for turers are paid and the only way we can obtain this in-EU's anti-fraud unit, which is based in Brussels, said Thurs-

day. 'As Reynolds has preplicity. European officials viously refused any coopersaid. Prosecutors in Europe ation whatsoever, we intend say that American tobacco to take up this issue with the

Million-Dollar Temptation

Science Reporters Get Huge Offers for Cancer Books

describing the medical world's optimism after consulting with her editors, she said.

for two reporters circulated book proposals to be a credible reporter, I'm not going to do

Gina Kolata, who wrote the article that The Joseph Lelyveld, the executive editor of Times featured on Sunday — instructed her The Times, said: "We don't want reporters

By Wednesday, Robert Cooke, a News-ering. There is the danger of a conflict of

day science reporter, had accepted an offer interest, and there is an appearance of a

These events crystallized recent con- long before Sunday's article was published.

cerns about journalists writing books about Mr. Cooke's agent, Faith Hamlin, said he had

what they cover because a financial stake in prepared a proposal for a book several weeks

said, 'Just write me an e-mail. Two pages, he will do the book or he will stay on the

from Random House to write a book on the conflict of interest.

asking the U.S. government ally identify its customers but added that it had "always cooperated with authorities."

> In an interview Thursday, Mr. Gietz also said that the company was continuing to sell to a trader who told The New York Times last year that

Cigarette smuggling cost European governments \$1.5 billion in lost taxes last year, according to a report by the EU's anti-fraud unit released formation is from them," Per on Wednesday. Adding to the Brix Knudsen, director of the concern among European governments, the report says that organized-crime syndicates are running the smuggling operations.

Around the world, the largest tobacco companies are selling billions of dollars of

"So I said, 'All right, I'll write you an e-mail.' And I did," Ms. Kolata said. "It was

like a trial balloon to me. I didn't actually

believe it." She pulled the proposal Tuesday

"I think we're talking about credibility,"

Asked about the potential for conflict,

trading on stories they are currently cov-

Reporters had covered Dr. Judah Folk-

man, who is leading the cancer drug research,

ago on new therapies that suppress the for-

Howard Schneider, a Newsday man-

aging editor, said, "There will be no con-

flict. If there is a conflict in our mind, either

mation of blood vessels to tumors.

story, but not both.

she said. "Once people think I'm not going

A spokesman for R. J. cigarenes each year into con- Reynolds had decided to keep the names of international Reynolds International in traband pipelines, say law-en- Mr. Haenggi as a customer customers in cases under in- Geneva. Axel Gietz, said that forcement officials. In the last vestigation. Now they are the company did not gener- decade, the volume of smuggling has nearly tripled, reflecting a general surge in cigarette smoking abroad, especially of American brands. Experts have estimat-

ed that about one-fourth of the

cigarettes sold overseas now

pass through smuggling rings. In Washington, a spokeswoman for the Treasury Department said the government had "responded to similar requests from countries in the past" and that in this case, we anticipate trying to be as helpful as possible.

The federal Bureau of Alcohol, Tobacco and Firearms is part of the Treasury Department.

Two recent seizures of smuggled American cigarettes highlight the problem in Europe. In one case, more than 80 million cigarettes, primarily Winstons worth more than \$3 million, were loaded by Reynolds, the second-largest tobacco company in the United states, onto ships in Charleston, South Carolina and Savannah, Georgia, and sent to Greece.

There they were immediately loaded onto a single ship belonging to a smuggling op-eration that took the contraband to Barcelona. Spanish customs authorities intercepted the haul last January.

authorities last October seized the contraband market.

The mastermind of the Sea Princess operation, Spanish and Belgium investigators said, was Michael Haenggi, one of Europe's biggest cigarette traders, who says he has been a Reynolds customer for Panamanian company, which 15 years and has frequently been a supplier to smugglers Spain by ship. who bring Reynolds cigarettes into Spain.

The Reynolds spokesman company knowingly sold to smugglers, but he said that its relationship with him.

even after he told The New York Times last summer that he sold to clients he knew to be smugglers.

The seizure in Barcelona now occupies investigators at the EU's anti-fraud unit, as well as in Spain and Greece.

"The key to this case lies with the American authorities," a Greek official said. "They have to find out who paid Reynolds."

Investigators are convinced that Reynolds knew the cigarettes were destined for the black markets in Spain. "We intend to prove that," said Carlos Ramos Rubio, chief of the anti-corruption office in Barcelona, and the prosecutor in the case. He knows it will not be easy.

Reynolds is very powerful," he said. "It's not easy to take them on. Reynolds will say they sold the tobacco legitimately, and it is not their responsibility to follow what happened to it."

Indeed, Mr. Gietz, the Reynolds spokesman, said that Reynolds had sold the cigarettes to a company with which it had "a long-standing relationship.

He said that company policy did not allow him to reveal the customer's name.

Officials at the European Union find it hard to believe ed the haul last January. that a company would sell In the other case, Spanish more than 80 million cigarettes without knowing where a ship, the Sea Princess, car- they were going. Mr. Gietz rying more than 120 million said that the company Winston cigarettes bound for checked on customers before selling to them. That included Mr. Haenggi, he said.

Last August, in an interview published in The Times. Mr. Haenggi told of an instance in which he sold 160 million cigarettes, to a then smuggled them into

Mr. Gietz said that after article appeared, Mr. Haenggi had been closely questioned denied Thursday that the by Reynolds, and that the company had decided to continue

#### POLITICAL NOTES



John Nields, Mr. Hubbell's lawyer, said

"Not guilty, your honor," Mr. Hubbell,

Three others charged with Mr. Hubbell

Suzy, his wife; Charles Owen, a tax

Mr. Nields's objection to the indictment is

was to have been a key witness in providing

The independent counsel has been inves-

tigating whether the payments to Mr. Hub-

the Whitewater probe.

the indictment.

bell were intended to encourage his silence in

Mr. Hubbell, who then was first coming

under criminal investigation. "performed

little or no work" for the consulting fees he

received in 1994, the prosecutors alleged in

also entered the same plea.

a former associate attorney general in the

he would challenge the 10-count indictment

the independent counsel, Kenneth Starr.

If Bill Richardson, the UN envoy, goes to Energy, he would replace Federico Pena.

#### Reports Tap Richardson not guilty Friday to conspiring to evade taxes on hundreds of thousands of dollars in For Chief Post at Energy

حكذا من الاصل

WASHINGTON - Although the move on the ground that it is "not within the scope" of the inquiry being conducted by is not final, President Bill Clinton's next energy secretary is likely to be Bill Richardson, America's chief delegate to the United Nations, officials said.

Word spread through Washington that Clinton administration, said of the charges Mr. Richardson was poised to resign to as he stood before Judge James Robertson in U.S. District Court. move to the Energy Department. But Barry Toiv, a White House deputy press secretary, said Thursday that the reports were "at the least premature and could turn out to lawyer, and Mike Schaufele, an accountant be wrong," adding: "This decision has not

Mr. Richardson, in Washington to make based on the fact that the indictment obtained a speech, called the reports "just press by Mr. Starr is beyond the original mandate of the investigation. Mr. Starr is investigating speculation on a premature report." Asked if he had ruled out taking the the Clintons' ties to the owners of a failing

cabinet job, he smiled and said, "We all Arkansas savings and loan and Mr. Hubbell serve at the pleasure of the president." Mr. Richardson added that he was not evidence about the president and first lady.

ready to resign his UN post yet. "Absolutely not," he said. "I am the UN ambassador. I'm very happy in my job at the UN."

A former Democratic congressman from New Mexico, Mr. Richardson has been the top contender for the Energy job being vacated by Federico Pena, who announced April 6 that he would leave the cabinet this summer. A source familiar with the thinking of

Mr. Richardson said that the switch was probable and that he and Mr. Clinton were expected to talk soon.

#### Hubbell Enters Plea

WASHINGTON — Webster Hubbell, a close friend of Bill Clinton and a key figure didn't send me here to dismantle the govin the Whitewater investigation, pleaded

publican of New York, resisting further budget cuts by party leaders: "It's just a

Quote/Unquote

nonstarter. My constituents sent me here for a smaller, less costly government. They emment."

Representative Sherwood Boehlert, Re-

#### **Away From Politics**

• A sophisticated criminal network op- states, killing two people and injuring at countries through a scarn that collected state line as storms swept eastward, darnmore than \$60 million in processing fees for aging hundreds of buildings and knocking nonexistent venture capital loans, federal officials said.

fiancée and then took her engagement ring was executed in the electric chair in Atmore, Alabama. Steven Allen Thompson, 34, waived any last-minute appeal, saying he wanted to spare further pain to his family and his victim's family. (AP)

Tornadoes raced through four Southern

erating mostly out of the United States has least 20. Some of the worst damage oc-defrauded up to 400 people in at least 10 curred along the Georgia-South Carolina out power to the mostly rural region. (AP)

• A man who raped and killed a friend's dition in Arlington, Texas, after being bitfancés and then took her engagement ring ten nearly 100 times by his family's fivepound pet white rat. The 21-year-old mother of Lamonte Coruthers told the police that the baby had been asleep in a bedroom for 10 to 15 minutes when she went to check on him and found him covered with blood. The mother said she had had the stereo on and had not heard any cries from him. (AP)

# 152 Older Boeing 737s to Be Inspected for Fuel-Tank Wiring Damage

By Don Phillips Vashington Post Service

WASHINGTON — Federal regulators have ordered airlines to remove 152 older Boeing 737s from service in the next week for inspections, acting with unusual speed after the discovery of a damaged wiring system in one jet raised concerns of a fuel tank explosion.

The unusually tight schedule for inspecting and overhanling the fuel tank wiring could cause some flight disruptions, Federal Aviation Administration officials said.

But it was unclear where any disruptions would occur, and several airlines affected by the emergency order said they could accommodate the fixes under the seven-day time frame.

The action Thursday was not a formal grounding of the jets, like the DC-10 grounding in 1979. and has thus far affected only a small portion of 2,900 737s in service worldwide. The 737 is the most popular passenger jet in the world.

The FAA also recently ordered inspections, though less rigorous, of several hundred 747 and 767 iets.

Officials said the discovery was serious. Rich Breuhaus, Boeing's chief engineer for fuel system safety, said that if the same problem occurred on other 737s, there would be "a potential for fire or explosion if conditions are right."

Officials said that they were confident that the possible risk to passengers in the next week was small, but that they would take further action if the inspections turned up new problems.

Continental Airlines mechanics, looking for a fuel leak on a 737, discovered pinholes in a metal pipe covering high-voltage electrical wires going to a fuel pump.

The pipe is supposed to prevent the wires from coming into contact with fuel or fuel vapors. Boeing engineers said. These holes appeared to be the result of elec-

trical arcing, or sparks, providing the first direct evidence that this could happen in pipes leading

Investigators have been examining why the center fuel tank exploded on Trans World Airlines Flight 800 in 1996, killing all 230 on board, but thus far have not settled on a cause. Thursday's orders are the latest in a series of

the FAA and Boeing discouraged speculation that a similar problem could have led to the TWA 800 explosion. High-voltage wires run only to wing fuel

tanks, not the center fuel tank that exploded on Flight 800. The aviation agency theorized earlier,

however, that a fire in a wing tank could travel via wing vent tubes out to wing tips, then back to the The order requires a detailed inspection of the

wiring and replacement of any damaged components. An extra teflon sleave must be wrapped around all high-voltage wiring, which already has one layer of teflon insulation.

The aviation agency also ordered that all 737s

The agency's action comes several days after actions that stem from the TWA inquiry. But both be required to add new insulation to high-voltage fuel-tank wiring, but on a more relaxed schedule because problems now cropping up appear to be related to age as measured in flight time.

In addition, the agency ordered less onerous inspections of fuel tank wiring in 264 Boeing 747s and 231 Boeing 767s to be certain that insulation was properly installed.

Those inspections were ordered because earlier inspections found one 767 conduit had no tetlon insulation at all. The agency said it was unable to determine whether the omission was a maintenance problem or a manufacturing prob-

New-generation 737s, just now being built, are unaffected because they do not have high-voltage wires inside their fuel tanks.

### Sybil Connolly, Fashion Designer, Dies

NEW YORK - Sybil Connolly, who designed the linen dress that Jacqueline Kennedy wore in her White House portrait and elevated Irish design to high fashion, died Wednesday of a heart attack in Dublin. She was 77.

Miss Connolly, whose popularity spanned almost a half century, brought her collection to New York in 1953. She introduced gossamer hand-pleated handkerchief linen; spidery Carrick-macross lace and a sophisticated palette of hand-woven Irish Donegal tweeds. She was an early exponent of soft and casual clothes when Parisian designers were featuring rigid construction.

Miss Connolly was an active designer until her death. For many years, most of her designs were sold in the United States to scores of socialites, many at private showings. She also received clients at her 270-year-old mansion on Merrion Square in Dublin.

J. Gordon Lippincott, 89, Logo and Product Designer

New York Times Service J. Gordon Lippincon, 89, an engineer and logo specialist who helped design the Campbell soup label, the Tucker

Torpedo automobile and the inside of the Nautilus nuclear submarine, died April 29 in North Haven, Connecticut. When Joshua Gordon Lippincott, an

engineer by training, joined forces in 1943 with Walter Margulies, an architect, the two men were hoping to make their mark through product design. They succeeded quite quickly. They designed hotel restaurants, changed the silhouettes of typewriters and selected colors for dishes. Three years after they started their company in New York, they received the Campbell packaging assignment.

Mr. Lippincott remained intrigued by design challenges. These included a task presented to him in 1947, when Preston Tucker asked for help styling the Tucker Torpedo, an automobile with a radical design. What emerged was a sleek vehicle Mr. Lippincott referred to as the Tin Goose. The ultimate failure of Mr. Tucker's dream car, which was the subject of a 1988 movie, came about when Mr. Tucker could not fulfill orders.

Alan Simpson, 85, Ex-President Of Vassar in 1960s and '70s

New York Times Service NEW YORK - Alan Simpson, 85, the zona.

president of Vassar College in the tur-bulent 1960s and '70s whose easygoing charm, wit and scholarship helped him weather not only a time of student protest but also the admission of men to the formerly all-women school, died Tuesday of pneumonia in Lake Forest, Illinois. Like many college presidents of the

era, the Oxford-educated Mr. Simpson became embroiled in student disputes over the Vietnam War, race, sex and coeducation. In 1969, he helped peacefully conclude a sit-in by a group of 35 students who were demanding an expansion of black studies programs.

In the mid-1970s, he defused a demonstration after the removal of the student editor of the college yearbook for attempting to publish photographs of nudes and, far more offensive in Mr. Simpson's view, for going over budget.

His toughest challenge was handling the transition from an all-female student body to full coeducation in 1969. He served as president of Vassar until 1977.

Charles P. Arnot, 81, a former ABC foreign correspondent who covered the world's turnoil from World War II to Vietnam, died April 24 in Prescott, Ari-

### Mexico to Curb Rights Bloc Italian Delegation Went to Embattled Chiapas

By Julia Preston New York Times Service

TANIPERLA, Mexico - The government has announced that it will expel most members of an Italian human-rights delegation from the southern state of Chiapas after they disobeyed immigration authorities

and caused a melee in an Indian village. The defiance Thursday of the 134 Italians widened the confrontation between Mexico and international nongovernmental groups over the work of human-rights observers in this country.

However, the Italians appear to have given the government several substantial reasons to say that they overstepped their bounds. 'We don't want revolutionary tourists in any experiments with human-rights obser-

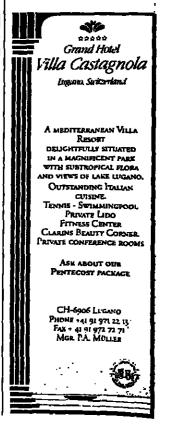
The Italians clashed with the immigra-Taniperla, a Tzeltal Indian village, which troops occupied in April to help local supporters of the government in their fight with happening there. We must find out."

Zapatista rebels. The Italian delegation includes four members of Parliament from left-of-center parties, representatives of several large city councils and a Roman Catholic priest. But most of its members are students and other young people who support the Zapatistas' cause and have no special expertise in human rights.

On Wednesday, the delegation an-nounced that it would make the grueling road trip to Taniperla in a convoy of buses even though the government did not explicitly authorize travel there. In a practice that many rights groups question, the government has been placing restrictions on the

places that observers can visit in Chiapas. At midday on Wednesday, the convoy was stopped at an immigration checkpoint. Mexico," said a deputy interior minister. Officials said that because of security risks Fernando Solis Camara. "We don't want only 10 members of the delegation would

be allowed to go farther. "We decided that we are all willing to face the security risk," said Federico Marition authorities in their drive to get to ani, a spokesman for the delegation. "If the government says it cannot protect our safety in that village, something terrible must be



Agence France-Presse

JAKARTA -- At least 60 people were injured in Central Java on Friday as thousands of students nationwide defied calls to abandon demonstrations urging an end to President Suharto's rule.

The police fired tear gas and rubber bullets to break up a protest by stone-throwing students in front of the 11 March University in Solo, Central Java. Streams of ambulances carried the wounded to hospitals.

"We have about 60 injured students here, four of them seriously injured," said Dr. Basuki, an emergency ward physician at the Muwardi state hospital. Most of the injuries were said to be from tear gas and beatings.

A witness said more than 2,000 students had taken cover behind the walls of the university, throwing stones at about 200 police officers. A university security guard said the protest was the largest so far in Solo, 600 kilometers (375 miles) southeast of Jakarta. The protesters dispersed when darkness fell.

The violence in Solo also was the worst in a day of protests nationwide. Thousands of students rallied at universities across the archipelago, brushing aside a plea from the military chief, General Wiranto. He said Thursday that after months of dissent the military, which has a political role under the Constitution, had the received message.

Essentially, all have agreed that we need these

reforms," General Wiranto said, urging students to drop the protests and take part in the process of political change. But the plea went unheeded as students continued their calls for Mr. Suharto to end three decades of authoritarian rule.

In Ujung Pandang, in South Sulawesi, about 1,000 students drove though the town in a convoy. protesting fuel price increases of as much as 71 percent. The price rises occurred Monday, residents said, as part of austerity measures prescribed by the International Monetary Fund. On Thursday, clashes in Ujung Pandang between students and the police left five people wounded.

In Surabaya, East Java, about 2,000 university students marched in the streets. Witnesses said they converged on the state-run Airlangga University to hear speakers call for Mr. Suharto's resignation. Students at the IKIP Teachers University in

Jakarta held a mock trial and burned an effigy of the president. 76, as three truckloads of armed security forces kept guard. The extraordinary people's court declares the defendant Suharto guilty of the crimes of murder,

robbery, corruption and collusion, et cetera, and sentences him to death," one of the students said. As the effigy went up in flames, loud cheers and applause broke out among about 300 students.



Pius Lustrilanang, before giving testimony in Washington.

## Indonesian Tells of Being Tortured

By Tim Weiner New York Times Service

WASHINGTON - Pius Lustrilanang, a student activist, says he was kidnapped at gunpoint on Feb. 4 at a bus stop in Jakarta, Indonesia's capital, blindfolded, driven outside the city and placed in a cell, naked.

Before the first electric shock, he says, he heard questions. Some people leave here alive. Some don't. They are never found."

His questioners were military men who went about their work methodically and patiently, Mr. Lustrilanang said.

They tortured me to get information, not merely for pleasure," he said in an interview, his first since he fled Indonesia almost two weeks ago. "They wanted to know the constellation of the opposition, the alliances between different leaders."

They threatened him with death, he said, and warned him that if he wanted to live after his release, he should stay silent forever.

Mr. Lustrilanang was one of about 50 Indonesians who have disappeared in the last three months, apparently into the hands of the Indonesian security forces, according to the nation's leading legal aid

The Indonesian government acknowledges that there have been disappearances among the political opposition; some Indonesian officials have sugges ted that they are the work of vigilantes or criminals But opponents of the government have suffered death, torture and jail for their beliefs at the hands of the government, the State Department says.

Mr. Lustrilanang, 30, and leader of a prominent one interrogator say: "Here there is no law. There is student group opposed to President Suharto, was held no human rights. All you have to do is answer our for two months and then released after international. pressure on the government. He arrived in the United States on Wednesday night, and testified Thursday at a congressional hearing.

As indonesia endures the worst political and eco-

nomic crisis in the 32-year reign of Mr. Suharto, the Clinton administration is straining to separate questions of political freedom and human rights from economic support. On Monday the administration expressed support for resuming financial aid to Indonesia through the International Monetary Fund while simultaneously voicing concern about the kidnapping of dissidents.

Mr. Lustrilanang said Thursday that the issues are inextricable, "Any aid to the Suharto regime should be stopped because it only props up his dictator." he said. If aid continues, he said, "there should be conditions: political reforms, human

Friendships

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# After Centuries, a Mayor for London

**Eonservatives Make Some Gains in Local Council Elections** 

By T. R. Reid

LONDON - Final results on Friday showed voters giving overwhelming approval - 72 percent of the votes cast to a referendum that calls for a central governing authority and an elected mayor for this metropolis of 7.5 million, the capital city since the Romans founded

Londinium two millennia ago.

Except for the appointed Lord Mayor, a ceremonial figure, metropolitan Lon-don has not had a central city government of its own. Public functions are split among the national government and 32 local "boroughs," making citywide cooperation difficult.

The referendum was one of many local ballots held on Thursday, most for members of city or county councils, and political analysts struggled, inconclusvely, to draw national political lessons from a patchwork of results that seemed to have no particular pattern.

By Thomas W. Lippman

WASHINGTON — Anger over U.S.

pressure on Israel has not seriously un-

dermined support for the Clinton ad-ministration in the American Jewish

Despite criticism by Republicans and

some other supporters of Israel of the

administration's decision to invite Prime

Minister Benjamin Netanyahu to Washington only if he accepts U.S. terms for

new Israeli troop pullbacks on the West Bank, several Jewish leaders said that

'I don't think it's a crisis,'' said Ab-

jaham Foxman, national director of the

Anti-Defamation League. He said the

administration's tactics were "more a

would turn out favorably for Israel.

Israeli Lays Claim

To Auschwitz Site

Agence France-Presse

woman says she has papers proving that she is the rightful heir to part of

the land on which the Nazis built the

The woman, Tzippora Franck, 63, who lives at Hedera, north of Tel

Aviv, said in an interview published

by Ha aretz that she had recently

traveled to Poland to clarify "this

dreadful secret to themselves," she said. Her mother told her a few years

"My parents preferred to keep this

She said she had verified it by

consulting old Polish legal docu-ments. The contents of the docu-

ments were backed up by aerial pho-

Her grandfather owned a tar paper factory on the site. His land was

confiscated by the Nazis after Poland

was invaded in September 1939.

tographs taken by Allied troops.

Auschwitz death camp.

cursed inheritance."

ago, she added.

JERUSALEM — An Israeli

community, according to its leaders.

ashington Pust Service

Jews Stand By Clinton

Israel Policy Not Costing Him U.S. Support

they continued to support the negoti-ating process itself. They also held out similar to that of the House speaker,

the chance that the latest U.S. maneuver Newt Gingrich, Republican of Georgia,

Overall, the Labour Party of Prime the ground they lost after their crushing general election defeat last May, gaining Minister Tony Blair appeared to hold its dominant position on local councils, but was running slightly behind its strong performance in the last election. The chief opposition party, the Conservatives, seemed to have gained a few per-centage points. The Conservative Party is in such disarray that any increase would be welcome news.

#### Low Turnout for Council Test

Only one in four voters bothered to turn out Thursday for what was Labour's first big electoral test since the general most equal triumphs and setbacks for the three main political parties, Agence France-Presse reported. Results from 166 council elections

showed Labour polling 38 percent, Con- to be learned" for Labour. servatives 32 percent and the Liberal Democrats 25 percent

factor of frustration" at the stalemate in

the peace talks "than of conscious, de-

groups' unease with the administration's

approach, leaders of major U.S. Jewish

organizations took up a motion Wed-

nesday night, urged on by Israel's am-

bassador to the United Nations, to issue a

public criticism of the Clinton admin-

istration. The motion failed by a wide

appeared to be taking a harder line than

ish leaders interviewed used language

who accused Mr. Clinton of "black-

mail" of Israel and of allying himself

with Yasser Arafat at Israel's expense.

Orthodox Congregations, who offered

the censure motion that failed to win

approval in the Conference of Presidents

of Major American Jewish Organiza-

tions. "My problem is the method and the

public perception that this is pressure."

Mr. Ganchrow said that Mr. Clinton's

position amounts to, "'Here's my address in Washington. You sign, you can

come.' It's a violation of our agreements

with Israel, both in spirit and in fact," he

continued, citing a stipulation by Warren Christopher, a former Clinton secretary

of state, that Israel would be the sole

arbiter of the scope and timing of its

But others said that the pressure from

Mr. Clinton was needed to break an

impasse in the peace negotiations that

best friend Israel has had in many, many

troop redeployments.

"I take no position on the merits of the peace negotiations," said Mandell Ganchrow, president of the Union of

Congressional critics of the president

wish organizations. None of the Jew-

margin, according to participants.

In an indication of the limits of Jewish

liberate bullying.

They also showed that the Conser-

more than 250 seats.

Labour voters, confident in their electoral superiority, appeared to stay away from the polling stations and lost 90 seats. The party was in danger of losing control of Mr. Blair's former home borough of Islington, north London.

The Liberal Democrats lost about 100 seats but won control of the metropolitan council of Liverpool, once a traditional Labour heartland, in northwestern Eng-

Mr. Blair minimized Labour's losses election a year ago, and there were al- Friday. He said the results were "very for a sitting government and claimed the Conservatives were "more or less at a standstill."

But he admitted that there "is a lesson

"good, dynamic, New Labour councils" were delivering Voters had sent a message that where were delivering good services, vatives have begun to recover some of people would turn out to support them.



Prime Minister Tony Blair addressing the press Friday after Londoners voted overwhelmingly for an elected mayor and central government.

Thursday's polls was 6 percent less than its 44 percent score at the May 1997 general election. But a recent Mori opinion poll showed that 55 percent of elec-

tors still preferred Labour to govern. Conservatives welcomed the party's

Labour's share of the overall vote in heartland of southern England. The Conservative Party chairman, Lord Parkinson, said: "We are starting to win again. We have started the recovery.

But with national support of only 32 percent, the Tories were marginally below their 1997 general election score of recapture of towns such as Tunbridge 33 percent, while ahead of their disastrous Wells in the traditional Conservative performance in the 1994 local elections.

#### BRIEFLY

#### Pakistani Police Fire At Bishop's Mourners

FAISALABAD, Pakistan Pakistani policemen fired into a crowd of 2,000 stone-throwing mourners on Friday as the demonstrators marched. with the body of a Roman Catholic bishop to protest religious discrimination.

Three people were hospitalized with bullet wounds after the shooting in Faisalabad, 240 kilometers (150 miles) south of Islamabad.

This was the second day of protests demanding repeal of a law that bans blasphemy against Islam. The demonstrations were ignited by the death of Bishop John Joseph, who killed himself. on Wednesday to protest a death sen-tence given to a Christian convicted under the law.

Bishop Joseph, 66, a noted human-rights campaigner, shot himself in the ad in the courthouse where Ayub Massih was tried and sentenced to death

## Japanese Bully, 17, Jailed Over a Suicide

TOKYO - A family court sent a 17year-old boy to a reformatory on Friday for tormenting a younger boy into hanging himself, ruling that schoolyard bullies can be held responsible if their victims commit suicide.

Judge Keiko Iijima of Chiba Family Court said the older boy assaulted and extorted money from Yoshiyuki Suzuki, a 14-year-old student who killed himself in his family's home in Narita, just east of Tokyo, in March.

The judge was quoted as having said that the bully's "persistent threats" drove the younger boy to suicide. The boy was allegedly threatened with a knife, punched and burned with a cig-

Bullying is a major concern in Japanese schools, where children face immense pressures to perform well in competitive tests and conform with their

#### Macau Firebombings

MACAU - Firebombs wrecked 14 cars, 8 motorcycles and 2 shops in the Portuguese enclave of Macau on Friday in suspected attacks by Chinese triad gangs, the police said.

They reported no casualties in 22 firebomb attacks, the latest violence in a wave of killings and bombings in this casino town on the southern China



Ukraine Marks the 53d Anniversary of Victory Day

A Ukrainian boy placing flowers on a monument Friday in Kiev as part of the 53d anniversary of the victory over Germany in World War II. Ukraine, along with the other former Soviet republics, officially marks Victory Day on Saturday.

### PLAGUE: Black Death of 14th Century Caused a Mutation That Keeps AIDS at Bay

Continued from Page 1

become very common. In general, none is carried by more than a fraction of 1 percent of a population at any time. But if by chance a neutral mutation

did not serve Israel's long-term interests. carries a hidden benefit, such as the CCR5, a receptor on the surface of immune system cells called macrophages. administration reflects divided views can change dramatically when the in- The AIDS virus uses the CCR5 receptor one or two copies of the mutation. It is among U.S. Jews of the Netanyahu govfection shows up for the first time. ernment and its policies toward the Palestinians.
"This administration has been the

a greater chance of dying than people infect the cells. carrying it. When the epidemic is over, the "population frequency" of the mutation will be higher than before. Perdecades," said Stan Chesley, a prominent Cincinnati lawyer and Democratic
fund-raiser. "Nothing has been people will carry it.

people will carry it. fection. People with one mutant and one Mr. O'Brien, two colleagues at the normal version have fewer than normal

National Cancer Institute, J. Claiborne numbers of CCR5 receptors on their responsible for bubonic plague also at-Stephens and Michael Dean, and their macrophages. They can be infected with tacks macrophages. Yersinia pestis binds

mutation called "CCR5-delta 32." The mutation occurs in the gene for as a molecular "docking bay," permit-People lacking the mutation will have ting it to land on, attach to and ultimately

> People devoid of the receptor — a condition that occurs when someone inherits the mutant gene from both parents — are essentially immune to HIV infection. People with one mutant and one

CCR5 genes.

whites of European origin carry either CCR5 receptor in doing this. most common among Swedes, among whom 14 percent of people have it. The mutation becomes less common as one moves south and east from Northern Europe, declining to 4.5 percent among Greeks and 2 percent among Central Asians. It is absent in East Asians, Af-

ricans and American Indians. Like the AIDS virus, the bacterium

collaborators, believe such a scenario HIV, but if that happens, they tend to to their membranes and injects toxins explains the relative commonness of a have a longer, more indolent course of into their interiors, disabling the cells' the disease than people with two normal crucial role in marshaling the body's immune response. What is currently un-Slightly more than 10 percent of known is whether the bacterium

"We're going to try to put this to the test," said Stanley Falkow, a microbiologist and plague researcher at Stan-

ford University.

He and Mr. O'Brien's team plan to take cells from people with normal CCR5 genes, and from people with one or two copies of the gene, mix them with Y. pestis and see if there is a difference in the number of cells that become infected.

#### **ISRAEL:** 'No Way' to Meet U.S. Deadline

Continued from Page 1.

emment as angry over the pressure being exerted on it.

The American ultimatum, he said, viplated the "note for the record" signed y a former Clinton secretary of state, Warren Christopher, in January 1997, affirming that Israel was responsible for determining the scope of any withdraw-

Mr. Bar-Ilan also pointed to the policy of previous American administrations in recognizing that Israel alone determined its security requirements.

He said that another source of "unease" was the statement by Hillary Rodham Clinton on Wednesday supporting the establishment of a Palestinian state.

The president's wife made the comments in a broadcast to a youth conference in Switzerland; her spokeswoman said they reflected her personal opinion and not a change in American policy.

Now we are perfectly willing to accept the explanation that this was only her opinion, but obviously the region but Mr. Clinton is scheduled to be in and the world will not accept it as Europe then.

something that's just the private opinion of the wife of the president," Mr. Bar-

Ilan said. "It will be interpreted as administration policy, and as such it does irreversible and very lasting damage because it preempts our ability to negotiate the issue in final-status talks."

It was not immediately clear whether such comments were intended to prepare the way for a rejection of the American proposal or to convince Mr. Netanyahu's constituency at home that he was angry and combative as he prepared to

There were reports that Mr. Ross was working on various face-saving formulas in which some of the territory trans-ferred to the Palestinians would remain under some form of Israeli control.

The Palestinians have accepted the proposed 13.1 percent, but have been adamant that it not be reduced.

Mr. Netanyahu is scheduled to be in Washington in any event on Wednesday,



BONN - A leader of the former East German Communists spied for that country's secret police for years, a lawmaker panel investigating the politician's past ruled Friday. The politician, Gregor Gysi, par-

liamentary leader of the Party of Democratic Socialism, rejected the panel's report as a politically motivated "flat-out lie" and said he would ask Germany's constitutional court to block any parliamentary debate on it. Mr. Gysi, 50, has steadfastly re-

jected the charges that he informed on dissidents under communism\_including several he represented as attor-The German Parliament's im-

munity committee voted, 15 to 2, to pass a damning report that prompted calls from Chancellor Helmut Kohl's party and the opposition Social Democrats that Mr. Gysi give up his leg-



Gregor Gysi, 50, who rejected the committee's charges Friday.

The report could also touch off efimmunity from prosecution if prosecutors decide there is enough evidence to open a criminal investiga-

forts in Parliament to lift Mr. Gysi's

### POLAND: Brutality Becomes Public Issue

Continued from Page 1

that more women were reporting such incidents. The Women's Rights Center in Warsaw says there has been a steady rise since then on the number of reported incidents of domestic violence.

Polish family is being peeled back, and obstacles, according to Ursula Nowakowska, a lawyer who heads the I see on television, where the woman rights center.

There is no battered women's shelter in Warsaw. Divorce is still hard to get, in part because of the influence of the Roman Catholic Church. The police, pros-ecutors and the public remain bound by old stereotypes that the man is king in his own house.

The new right-of-center government is unsympathetic. The state minister of family affairs, Kazimierz Kapera, says scarce money for family services should be spent on keeping families together gram for the training of psychologists, and lawyers in how to treat victims of domestic violence in Poland.

"Though people in Poland are rec-ognizing violence more and more, it is prosecutor in the appeals court. Often a witness will come and say, 'I didn't hear anything.'"

Traditionally, women are expected to marry early in Poland, and submit to their husband's will, even if that means harsh physical abuse. A recent survey showed that 60 percent of families accepted corporal punishment as a way of scolding their children, a practice that can carry over to violence against wives, sociologists say. Heavy drinking, encouraged by subsidized vodka prices under communism, has compounded the violence, particularly in the countryside.

The Women's Rights Center, staffed by four lawyers and a part-time psychologist, advises women on their legal women, a shelter has been established that there were vacant rooms recently. The lack of shelters combined with the economic dependence of Polish women on their husbands and an acute housing shortage in Poland makes leaving home almost impossible.

Thus, Bozena's predicament of living Even as the facade of the cohesive in the same apartment with a husband she fears despite the criminal case she Polish women are finding courage to has brought against him is more the report battering, they face considerable norm, than the exception.

"It's not like in the American movies packs up and leaves," Bozena said as she served instant coffee in her room away from the kitchen where her husband kept his things.
"I'm separated from him by a wall

and a locked door." She does everything she can, she said, to minimize contact with him in the 18square-meter (200-square-foot) apart-

#### IRS: rather than helping battered women. He recently suspended a program offered by the United Nations Development Pro-

Continued from Page 1

power and not enough sunshine," Mr. Roth said. "There needs to be a cultural still very difficult to get a witness in shift within the agency. This legislation court," said Ludmila Tomaszewska, a will provide a catalyst for that change." The bill now heads for conference

with the House, which passed a less wide-ranging measure last fall. That bill would cost an estimated \$2.6 billion over five years.

The bill emerged after two widely publicized sets of hearings before the Senate Finance Committee at which an array of taxpayers and IRS workers recounted stories of abuses by the agency. The hearings brought an outpouring of public support for drastic change.

But the furor generated by the hearings was not the only factor driving the legislation. More than a year ago, it became clear that the IRS had been unable to modernize its computer systems despite the expenditure of more than \$4 billion. Moreover, some conrights and offers counseling. While there servatives on Capitol Hill have been are no shelters in Warsaw for battered seeking to throw out the current tax system entirely and replace it with some in Krakow. But it has such strict rules form of consumption tax, such as a naabout when women can come to stay — tional sales tax or value-added tax, or they cannot arrive at short notice — with a one-rate "flat" income tax.

### JAPAN: Rattled Carmakers Keep Hope in Face of Merger U.K. Cuts Police Registration,

Continued from Page 1

start its own bank or buy a car company overseas. Yet some government officials and auto executives acknowledged that this past week's merger underscores a trend toward consolidation that Japan, which has 11 cannakers, has resisted. Concern that Japan might be threatened or left out drove down carmakers' stock prices, except for Mitsubishi Motors Corp., which has a prices, except for ivitisuous in victors Corp., which has a tie-up with Chrysler. While a few Japanese car producers, like Mitsubishi, have links with foreign compaducers, the marchine sheed learners on their companies, most are marching ahead largely on their own.

"The environment is ripe for mergers, but they

don't seem to have the urge to merge," said Peter Boardman, an auto analyst at SBC Warburg Japan Ltd. The Japanese will wait until they are backed against a wall, and usually it's too late then."

a wan, and usually a been reluciant to lose its inde-Even Toyota has been reluciant to lose its inde-pendence. "I don't think Toyota would rush to buy anything unless it finds a good bargain," said Takaki Nakanishi, an analyst at Merrill Lynch Japan Ltd. Mr. Nakanishi, an analysi at Maranishi said that joining hands with foreign carmakers could be a painful process for Japanese companies, with their protective labor practices, different production technologies and strong company cultures. "An acquisition sounds cheaper, but actually it may not be cheaper than building from scratch," he added.

Ten!

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and industry, indicated that capital tie-ups between Japanese and Western car companies are "very likely."
And a statement issued by Hiroshi Okuda, president of Towns said that "companising as identified as ident Toyota, said that "competition on the world arena can only intensify further from this point forward."

The Daimler-Chrysler combination, however, also raises the possibility that inefficiencies will begin to

seriously hamper automakers in Japan so that car plants like Nissan's in Natsushima may someday be consumed

in the great global restructuring of the auto industry. "From now on, it will get harder and harder for Japan to survive," said Minoru Shibuya, a 47-year-old electrical engineer, as he left work at Nissan's factory compound. "Only two Japanese companies can survive. One is Toyota. The other is Honda."

That grim prognosis has some employees, like Mr. Shibuya, worried about the future of Nissan, the nation's second-largest producer. While Nissan is expected to show a slight profit in the year that ended March 31, it has a stunning burden of debt that has swelled to \$30 billion and North American sales are lagging.

That explains why a colleague of Mr. Goto's, a 51year-old former chassis team leader in the Nissan factory, looked so glum when the topic of the merger came up. "I am worried that some changes, like tie-ups with foreign companies, will happen that will change my life from. at work or change the welfare system of the company, Cheaper than building 110111 Setable, and all work or change the welfare system of the company,"

Others suggested that change could touch Japan.

Others suggested that change could touch Japan.

District Wayness of the company, "he said. "Maybe a foreigner will get a seat on the board of directors, or even become president!"

LONDON - Britain said Friday that it was relaxing a rule dating from the early 1900s that requires most foreigners to register with the police. The Home Office minister, Mike O'Brien, said there

was no need for large numbers of non-Britons to The changes will save more than £500,000 (\$825,000), he said.

Among those exempted will be citizens of the United States and Japan. Citizens of most European countries have not been required to register since 1983. The Home Office said the change, effective Monday, would exempt about three-quarters of the non-Britons

who are now required to register. Citizens of 56 countries will still have to register, but only if they want to stay and work for longer than six months. Previously, the limit was three months.

Citizens of East European countries, including the former Yugoslavia, and of countries of Africa south of the Sahara, will no longer have to register, officials Nor will refugees, regardless of where they are

Police registration of non-Britons for security reasons started before World War I amid concerns about German spies.

## Naples Revisits Bourbon Art

### Exhibition Focuses on Little-Known 19th-Century Culture

By Roderick Conway Morris International Herald Tribune

APLES - The Bourbon dynasty's rule in Naples was memorably described by a contemporary Italian journalist as "the negation of God erected into a system of government." The phrase was taken up by the English politician William Gladstone, who in 1851 witnessed show trials of the regime's opponents -a depressingly regular occurrence during the years of Bourbon absolutism, which invariably ended in multiple executions, imprisonments and further repression.

After the Bourbons gained control of Naples in 1734, their principal artistic legacy to the city lay in transferring from Parma the magnificent Farnese collection of classical and Renaissance sculpture and paintings, which they had inherited by marriage and played no role in building up. In addition, after 1748 their excavation of Pompeii and other sites brought to light an unimaginable

The development of the arts in Bourbon Naples has received little attention even in Naples itself, so a large-scale survey. "Culture in the 19th Century: From the Bourbons to the House of Savoy," is welcome.

The main show is located at the impressively restored Capodimonte Museum, where the Farnese paintings are also housed, set in a palm-dotted park on a steep hill overlooking the Bay of Naples. Additional smaller exhibitions on architecture, town planning, music, illustrated books and so on are held at various venues around town until May 31. If the momentum for revitalizing the

city's museum scene can be maintained, many of the key pieces here should be permanently on display in future.

In general, the Bourbons' taste followed the fashions of French and European courts, though some Bourbon 18thcentury palaces, landscaped gardens and parks, notably Capodimonte and Caserta, are fine examples of their kind.

The interlude of Bonapartist rule, from 1806 to 1815, during which the Bourbons fled to Sicily, was extraordinarily influential in the decorative arts, considering its brief duration.

Napoleon first installed his brother Joseph as King of Naples and, two years later, his brother-in-law Joachim Murat Murat and his wife Caroline took a strong personal interest in the visual arts and initiated an extensive program to transform the interiors of the royal palaces. Murat also increased the funding of art schools and promoted exhibitions.

The Empire style was at the height of its popularity and it was given a special spin here, with Pompeii close by. Among the most striking exhibits at Capodimonte are furnishings incorporating genuine ancient bronzes and marble, including a huge round table with a Roman mosaic top and modern marble supports, and a side table resting on a bronze tripod from Herculaneum. Many new pieces were made imitating antique originals. Interestingly enough, when the Bourbons made their comeback after Waterloo, they tended to leave these Bonapartist interiors and

furnishings as they found them. Naples had a considerable commu-nity of local and foreign artists earning a living by selling views of the Bay of Naples, Vesuvius, Pompeii and char-

acteristic local sights. Out of this cottage industry emerged the School of Posillino, whose leading exponents, operating outside the conservative constraints of the Academy, left some pictures that are both truly Neapolitan and rank among the best landscape painting of the last century.

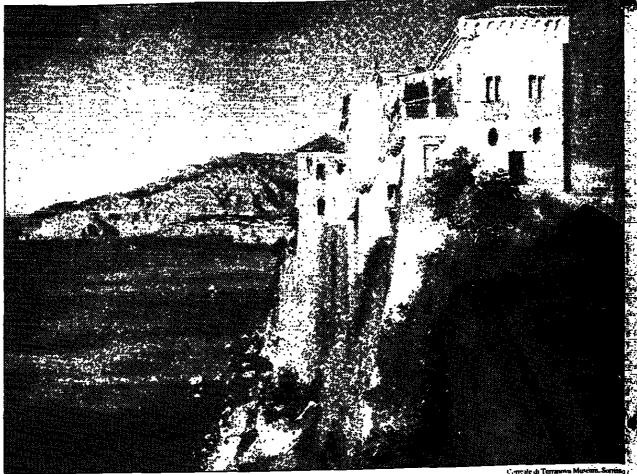
Like the term Fauve, the expression Posillipo - from the name of the promontory to the west of the city that offers spectacular views of the bay, Vesuvius and the islands of Ischia and Capri - was originally dismissive, apparently used by loftier members of the Academy to denigrate the efforts of what they considered a ragbag of street artists serving the needs of passing tour-ists. In time, however, the label became a mark of distinction.

HE founder of the Posillipo School was a Dutchman, Antoon Sminck Pitloo, who settled in Naples in 1816. His star pupil was Giacinto Gigante (1806-76).

Both Pitloo and Gigante were influenced by Turner. The best Posillipo paintings, done directly from nature in a variety of often mixed media - pencil. pen, ink, watercolor and tempera combine spontaneity with exact observation and stunningly capture atmospheric lighting effects.

Pitloo died during the cholera epi-

demic of 1837, but left his mark on several distinguished followers, including Eduardo Dalbono and Teodoro Duclere. Gigante, who had become a hit with resident and visiting Russian aristocrats, was eventually summoned to court in 1850, became art master to the Bourbon princesses and was knighted.



"House of Tasso, Sorrento" by Teodoro Duclere, a follower of Pitloo, who founded the Posillipo School,

In 1860, in his brilliant lightning campaign against overwhelming numerical odds. Garibaldi and his 1,000 "Redshirts" swept the Bourbons from Sicily and then Naples, and handed the Kingdom of the Two Sicilies on a plate to the

House of Savoy's Victor Emmanuel II. The heroism and self-sacrifice of the Garibaldian spirit is captured in a later canvas, "The Breaching of Porta Pia,"

by a Neapolitan, Michele Cammarano (1835-1920), on the storming in 1871 of the gate in Rome's walls, which ended the Popes' rule and brought the ancient capital into the new unified Italy. This enormous and exhilarating painting is placed alone at the far end of a large, otherwise darkened room, and as one walks toward it, the charging front rank of the shock troops seems actually to be

in motion, hurtling toward the viewer. Cammarano painted this splendid work, which closes the exhibition, on his return from Paris, much affected by Delacroix, Gericault and French Romantic art. Though Naples continued in the post-unification period to give rise to local schools of art, it was to Paris, bythen the dominant force, that most Neapolitan artists looked for inspiration.

#### **BOOKS**

IDENTITY By Milan Kundera. Translated by Linda Asher, 168 pages. HarperFlamingo. Reviewed by

Christopher Lehmann-Haupt IEWED superficially, the action of Milan Kundera's compact new novel, "Identity," is simple, almost farce-like. While vacationing at a hotel in Normandy, Chantal, who has divorced her husband after the death of their 5-yearold child, is amused to note how all the men "have daddified themselves." She reflects, "They aren't fathers, they're just daddies, which means: fathers with-

out a father's authority." She's sure that if she tried to seduce one, he would hiss, "Leave me alone, I'm busy. When she is joined at the hotel by her lover, Jean-Marc, who is four years younger, she complains to him half-jok-'Men don't num to look at me anymore." Back at their Paris apartment, Jean-Marc, who has taken Chantal's complaint seriously, decides that because she is obviously feeling older, "what she needs is not a loving gaze but a flood of alien, crude, lustful looks settling on her with no goodwill, no discrimination, no tenderness or politeness." So he begins

to send her anonymous letters describing

himself as someone spying on her and

finding her "beautiful, very beautiful." Although the letters at first serve to inflame the couple's lovemaking, ultimately they backfire. Through a complex process, Chantal and Jean-Marc suffer what might be called the shameful objectification that Kundera has described elsewhere as a threat to all of us in the intrusive modern era. As a result. the two become estranged from each

other, losing their identities as lovers. Of course the novel is far richer than this summary suggests. The main action is repeated in miniature throughout, al-

most as if the story were constructed of modules. For instance, while Chantal waits for Jean-Marc to join her at the Normandy resort, she overhears two waitresses discussing a popular television program about people who have mysteriously disappeared called "Out of Sight," and she imagines the horror of losing Jean-Marc "that way someday." And several times in illogically different settings, she encounters a young tattooed man who seems to threaten her sexually.

The novel is full of expressions of the paradoxical feelings so typical of Kundera's longer, more expansive novels like "The Book of Laughter and Forgetting," "The Unbearable Lightness of Being" and "Immortality." For instance, one day while the two of them are eating lunch. Chantal is overcome by "a feeling of unbearable nostalgia for Jean-How could this happen in his presence? It can "if you glimpse a future beloved's death is, invisibly, already present. 'At this moment, she thinks of her dead child and is flooded with a wave of happiness, because it is his death that has made her presence at Jean-Marc's side "absolute." She does not disclose this reaction to Jean-Marc because she fears "he would see her as a monster."

HE book contains its share of Kundera lectures on the modern era. "How is friendship born?" Jean-Marc asks Chantal. "Certainly as an alliance against adversity," he continues. But "maybe there's no longer a vital need for such an

"There will always be enemies." reioins Chantal.

'Yes, but they're invisible and anonymous. Bureaucracies, laws, responds Jean-Marc. "Friendship can no longer be proved by some exploit." He concludes. We go through our lives without great

perils, but also without friendship."

Despite all these earmarks of the typical Kundera novel, "Identity" remains the most compact and integrated of his recent fictions. In its brevity and unity of plot it surpasses even his previous book, "Slowness," his first to be written in French instead of Czech and shorter by half than his best-known works.

the polyphonic novel with scrambled narrative and multiple authorial voices that has typified his major work? Or is 'Identity' going one step further than 'Slowness,' where he seemed to be suggesting that form is both more liberating than its opposite and finally inseparable from content?

One clue is that by writing in a form that goes against one's expectations. Kundera has forced the reader to take nothing at face value, but instead to see as tricks what in other writers' works one might view as the straightforward meaning of "Identity" keeps collapsing into its opposite like an optical illusion that can be seen two different ways.

on a slippery notion of identity that can change from one paragraph to the next.

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## Picturing Bali in a New Light

By Margarett Loke New York Times Service

EW YORK - "Bali," an exhibition of Rena Bass Forman's photographs at the Bonni Benrubi Gallery in Manhattan, has nothing to do with the Indonesian island as tourist hot spot and everything to do with a place where the equatorial light is mysterious and sometimes surreal.

A photograph of a well-kept temple surrounded by a dense assortment of trees looks as though it had been taken in the late afternoon, with the long shadow of a tree cast on the ground in front of the surrounding temple wall. But the sky is black and the fronds of a tall palm tree appear to be emitting white smoke. Forman prefers to work in late-day

light, just before sunset, and usually she has a good hour of it. But in Bali. she found, the sun dropped so quickly that day became night in a maner of minutes. This happened while she waited for the right moment to take the picture of the temple, when a puff of white cloud moved behind the palm tree, giving it an unexpected glow.

Forman didn't always wait for such Magrine-like moments. The eight 30-by-30-inch (75-by-75-

centimeter) prints in the exhibition and a portfolio of 9-by-9-inch prints selected from her Bali project, also available for viewing at the gallery, reveal a landscape photographer with a finely honed eye for the sumptuous contrasts in the Balinese landscape, as well-

In another image in the exhibition, a mountain that has been turned into a sculptured, terraced rice paddy has the aura of an ancient temple, surrounded as it is by lush foliage and palm trees. the palm fronds glinting like delicate, polished gold. Here, the orderly horizontals of the terraces are nicely balanced with the unruly profusion of trees

as for the alchemic power of light.

and above them, huge roiling clouds. Forman lends her prints a pronounced sepia tone, which has the effect of accentuating Bali's unusual

#### Forman's photographs reveal sumptuous contrasts ın the landscape.

light. This toning also highlights the pictures' subtext - that nature and man-made structures need not war with each other but can coexist in harmony.

An ancient seated stone Buddha with a piece of fabric draped over one shoulder and present-day offerings on its lap bears the marks of time and the elements, as though it too were part of the natural landscape. Conversely, a sliver of a waterfall cutting through thick foliage looks as though it might have been the result of human in-

Although the maturity of these im-

been engaged in large-scale landscape photography for some time, Forman, who is 44, spent a decade after finishing college as an arts administrator in New Jersey and Massachusetts, devising art and educational programs for schools and museums. She documented her projects with photographs and did landscape photography in her spare time. Given a 35-millimeter camera on

her 18th birthday, Forman immediately drove out west from Manhattan and fell in love with the landscape.

She stopped working as an administrator in 1984, and began doing watercolors, collages and photography, She did not start on her present body of work until 1993, when a fire miler. studio destroyed all her earlier and After her studio was rebuilt, she de cided to go from small to big.

In 1990 she had begun to tone her prints, bleaching her black-and-white prints and then redeveloping them in a toning bath. She began to travel to more exotic places, including the John Day Fossil Beds in Oregon, the grassland and mountains of Turkey, and the

Isle of Skye in Scotland. She would bring back tangible reminders of her trips --- a rock or earth --to guide her in the toning. Her Oregon images are selenium toned, her subjects elemental: massive, curvaceous forms, In Turkey, she photographed rock and volcanic lormations against a cloudless sky, her prints again subtly toned. In Bali, where the light was unlike any she had ever experienced. Forman has produced her most complex, evocative ages suggests that the photographer has work - deeply toned.

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Does this mean that he has renounced

The effect is like a film clip that is shown at the ad agency where Chantal works. "On the screen is a behind in a horizontal position, good-looking, sexy. in close-up. A hand is caressing it tenderly, enjoying the skin of this naked. compliant body. Then the camera pulls back and we see the body entire, lying on a small bed: It is a baby, with its mother leaning over it. In the next sequence she lifts him up and her parted lips kiss the lax, wet, wide-open mouth of the nursling. At that instant the camera draws in. and the same kiss suddenly becomes a sensual love kiss. As with the lovers' perceptions of each other in this arresting, slightly frightening story of ideas in opposition, everything depends

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Rothko: Imeless And Tragic

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#### ART

## Rothko: **Timeless** And Tragic

By Jo Ann Lewis Washington Post Serva e

ASHINGTON — The Italian filmmaker Michelangelo Antonioni once remarked that he and Rothko shared the same subject matter: "nothingness." Even the critic Rothko most respected, Robert Goldwater, described the artist's goal as reducing painting to "a colored surface which represents

nothing and supports nothing else."

Rothko (1903-1970) disagreed. "There is no such thing as good painting about nothing." he asserted. "The subject is crucial, and only that subject matter is valid which is tragic

Underscoring gloom-as-subject in his Rothko, who refutes "nothingness." work, Rothko told an audience of Pratt Institute art students: "There must be a clear preoccupation with death - intimations of

Now the National Gallery, which fell heir in 1986 to hundreds of works by Rothko, has jumped into the argument. Refusing to take nothing" as an answer, the curator Jeffrey Weiss has assembled the most definitive retrospective of Rothko's 40-year career,

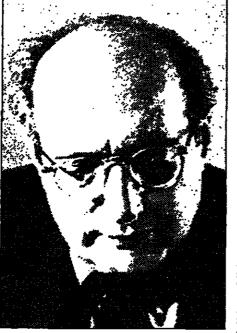
Weiss also mobilized a phalanx of scholars and friends of Marcus Rothkowitz - the Russian immigrant turned legendary New York abstract expressionist — who set out to prove in a catalogue that the formal complexities of his art refute any notion of nothingness. The catalogue highlights Rothko's often ravishingly beautiful, translucent clouds prowling mists and muffled luminosities.

"You might as well get one thing straight,"
the artist said in 1957. "I'm not interested in relationships of color or form or anything else." He added, "I'm interested only in expressing basic human emotions - tragedy, ecstasy, doom, and so on."

After his breakthrough into pure abstraction in the late 1940s. Rothko explained he and done so to eliminate "all obstacles between the painter and the idea and between the idea and the observer."

For the visitor familiar only with Rothko's classics - stacked, floating rectangles of color — the figurative and surrealist works at the start of this show will be a surprise. Rothko to slit his arms and bleed to death on the floor was groping his way through a blocky, semi- of his Manhattan studio. abstract style

A second gallery is filled with dreary, surrealist works from the '40s. But by 1948 the ability to startle and mystify us? Our familiarity sun suddenly comes out, and the show begins to sing with the arrival of Rothko's first totally abstract paintings, which he called "multiforms." Built from small, floating, soft-edged biomorphic shapes in luscious yellows, or- gained but something lost.



anges and salmon pinks, they are among the most beautiful works Rothko produced.

By the following year, he had arrived at the vertical format that became his signature style: horizontal bands and rectangles of layered color floating over a base color that broader picture. Pinault is far wraps around the sides of the canvas, elim-

inating frames. Titles, too, soon disappeared. Even in the first breakthrough classic shown here, "No. 5" (untitled) of 1949, it appears Rothko was trying to rein in his chromatic virtuosity, quelling the sensuality of the lush lapis bands by adding a stripe of mud-like brownish gray.

In the galleries that follow, filled with classic Rothkos, colors take on ever more assertive roles. In "Untitled, 1953" a field of magenta of color, a breath-like interplay of forms, at the top and a black field below seem to wrestle for space on the canvas, even as a thin strip of orange froth at the bottom seems about to slip out from under both of them.

> S Rothko's mastery increased, his canvases grew larger, his compositions more reductive, the mood more aggressively somber. He committed to progressively richer, darker color harmonies, sometimes so subtle that differences between field and ground could no longer be discerned. This trend continued until the final brown/black/wine-red climax of the paintings, adding drama at the point where over the years. They allowed Rothko, ill and seriously depressed, was soon

Could it be that a half-century after they were painted, these pictures have lost their with Rothko has led to an ease in the presence

of these works that did not exist in the 1960s. Maybe Rothko reminds us not that he has changed, but that we have - something

## A French Revival in the Works?

By Souren Melikian International Herald Tribune

EW YORK — Is recovering its longlost role as the European capital of the art market? Two events of considerable significance took place this week that make this seemingly improbable proposition a realistic possibility over a relatively short term. One is the disclosure that

the French businessman François Pinault had acquired 29.1 percent of Christie's shares previously controlled through a trust by the British investor Joe Lewis. The other the Fine Art Fair, which opened here Thursday at the Seventh Regiment Armory. The international media

duly noted that the acquisition of a large chunk of Christie's shares paves the way for a possible takeover bid, but did not consider the more than just a tough handson businessman, or even a "major buyer of 20th-century

describe him as the quintessential French collector passionate, sophisticated, shrewd, with multiple interests ranging from Impressionist. Modern and post-World War II painting to royal French furniture. Not least, Pinault, who is a close friend of President Jacques Chirac, has a strong sense of French cultural identity.

A man with Pinault's business acumen and personal involvement in collecting must gnash his teeth at the mess that commissaires-priseurs. the nearest equivalent to auctioneers in Britain or the United States, have made of the French auction system Sotheby's and Christie's to win the battle for supremacy in the international arena with superior, thoroughly rational organization, including sales arranged by category, catalogues distributed weeks in advance and widespread advertising made possible by the resources of two powerful France's European commitauction houses as opposed to ments mean that the laws that

the fragmented 70 or so Paris

auctioneering groups.

Most frustrating of all perhaps is the thought that in the Paris on its way to case of Christie's, which recently managed to overtake Sotheby's, long the dominant force, and to beat it by a short length in the sales race. French specialists made major contributions.

If Christie's in the last three years has come out as No. 1 in jewelry, this is largely thanks to François Curiel, head of Christie's jewelry department worldwide. Curiel, the son of a now retired antique silver and jewelry dealer, was steeped in the world of precious stones from early childhood. Highly is the French show of force at regarded in the international gem trade - from New York, where he spent years, to Geneva, his current base --- he is a formidable force.

So is Hugues Joffre, who played a key role in giving Christie's the lead in Contemporary Art sales and in redirecting some international flow of Impressionist and Modern art toward Christie's. In the last two years he has been running the Christie's Those who know him show in France and nearly tripled the volume of business handled by his company.

THER Frenchmen

hold important positions at Christie's. Frank Giraud is the head of the successful 19thand 20th-century department, and Philippe Segalot, a highly regarded Contemporary Art specialist, now in New York, is due to return to Paris in July to step into his new role as director of the fine arts division. At Sotheby's, too, the French play a major role. Michel Strauss, the Impressionist and Modern art specialist, has been the linchpin in building Sotheby's strength since the early 1960s and remains its key man, and Alexandre Pradere in Paris is an authority in French furniture, etc. In short, a man with Pinault's interests has every reason to feel that with so much French talent exploited by others, urgent action is required. And now is the time.

would be relocated to Paris.



A study of a nude woman by Pierre-Paul Prud' hon.

guaranteed the exclusive priv- tire world auction game. The ileges of the commissaires- Paris potential is enormous, component essential for the priseurs must be scrapped Auctions do not develop in a development of a major auccompletely within a year, vacuum. They require the tion base a vast constituency From a French perspective, presence of a vigorous art tinged with more than a touch trade, and Paris has it. A cursory glance at the Fine of national pride, the transition Art Fair is enough to convince would be that much easier should the control of anyone of its resources. The Christie's pass into French masterpiece that stands out a art market revival could take

hands. It is hard to believe that mile at the armory hangs on off like a rocket. Pinault is the such considerations were not at the back of Pinault's mind when he made his move. If The view of Corot's house at that is correct, an outright at-Ville d'Avray near Paris, hunter's reflexes. tempt at taking over the company is in the cards and, were its glazes intact, is not just a yet turn out to be the most new discovery. It ranks he to succeed, the probability is that the real decision making among the French master's market since the late Peter greatest landscapes. Cazeau

three Fauve works — two by Dufy, including another sensational discovery, a hitherto unrecorded "14 Juillet," and a Marquet - worthy of any

museum. A few yards away, the Galerie Hopkins-Thomas-Custot displays a rare gem by Berthe Morisot, a harbor view painted on the Isle of Wight in 1875, which was featured at the Second Impressionist Exhibition. They also are showing 'L'Anniversaire,' a pastel mixed with gouache by Henri Fantin-Latour drawn in 1875 to honor Berlioz. already reserved by a leading

American museum. The Galerie Beres, best known for its sophisticated small-format paintings and drawings by French avantgarde artists from the 1830s to the 1950s, has another line in Old Master and Neoclassical drawings, in which it surpassed itself. The two studies of a man and a woman in the nude by Pierre-Paul Prud hon, never illustrated before, are the talk of the town. Add an important Bonnard seaside view of 1930 at Daniel Malingue and Van Dongen's Fauve portrait of a clown displayed by Fabien Boulakia. which offers a striking anticipation of the vet-to-be German Expressionism, and the list of coups made by the French trade is impressive.

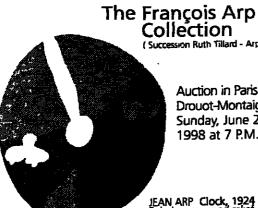
It can be equally brilliant in other fields, from French furniture to early rugs and tapestries. Not least, France is one of the few countries in Europe that has that other of collectors large and small, passionately involved in their pursuit, as can be observed any day at Drougt

Given the right impulse, an the stand of Philippe Cazeau man who could give that imand Jacques de la Beraudiere. pulse. He has the money, the political oomph, the art painted in the late 1860s, with week's developments might important for the world art Wilson became chairman of This would change the en- and La Beraudiere also line up Sotheby's four decades ago.

#### ARTS

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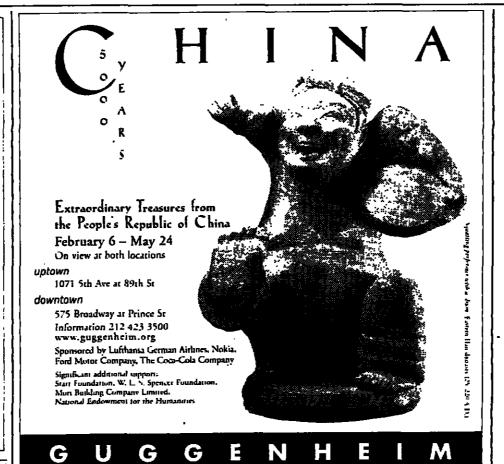
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### **Executive Privilege**

President Bill Clinton faces a choice following Judge Norma Holloway Johnson's decision to deny his executive privilege claim. He can allow the White House aides Bruce Lindsey and Sidney Blumenthal to testify before Kenneth Starr's grand jury, or he can appeal Judge Johnson's decision. If he chooses to appeal, he may succeed in delaying Mr. Start's investigation by several months. But this would be primarily a stalling move - Mr. Clinton's claim will almost certainly fail one way or another. And when it does, it will have further weakened the idea of executive privilege for Mr. Clinton's successors and further diminished the legitimacy of the privilege in the public mind.

The notion of executive privilege was not a creation of the Watergate tapes case in 1974. In fact, presidents since George Washington have asserted the right not to disclose private executive branch communications, Executive branch secrecy is assumed in the Federalist Papers. And the Supreme Court itself appeared to recognize a sweeping privilege in the celebrated 1803 case of Marbury v. Madison, when it was confronted by a witness who felt that answering certain questions might breach executive branch "There was nothing confidential required to be disclosed. If there had been he was not obliged to answer it; and if he thought that any thing was communicated to him in confidence he was not bound to disclose it. ...

Well into this century, even some civil libertarians presumed a right to confidentiality in the executive branch. 'The President's authority under the Constitution to withhold from Congress confidential executive information, the disclosure of which, in his judgment, would be incompatible with the public interest, is altogether beyoud question," wrote this editorial page in 1954.

The sense of executive privilege as a disreputable exercise of naked power comes from the Watergate era, when President Richard Nixon asserted the privilege not to shield conversations surrounding an act of state but to protect himself from evidence of his own criminal conduct. The resulting Supreme Court decision was clearly correct, but it has made it far more difficult for subsequent presidents to assert executive privilege - even legitimately. In other words, by litigating a case he never should have litigated, President

Nixon weakened all of his successors. Now Mr. Clinton argues that dis-cussions of the Monica Lewinsky scandal among top White House aides are covered by the privilege. In a case with facts more related to public business, this assertion might be more plausible. But Mr. Clinton's claim is hampered by a deeply flawed premise. To protect himself from personal embarrassment, at least temporarily, he risks yet another decision that will weaken the office he holds.

-THE WASHINGTON POST.

### Merger on Wheels

Daimler-Benz and Chrysler — the largest industrial merger ever — appears to be good for Chrysler's shareholders and workers. The merger could boost Chrysler's European sales, now tiny, yet pose little threat to factory jobs in the United States. The two companies are vastly different.

Daimler focuses on its luxury cars, Chrysler on its sport utility vehicles, pickup trucks and minivans. That means the companies cannot cut costs easily by consolidating production lines, sharing dealerships or restructuring business. But while the lack of overlap protects Chrysler workers, it also suggests that the merger, despite its size, might have little impact on the domestic or foreign auto industry.

Daimler no doubt hopes the merger will raise sales of luxury cars in the American market and help it tap Chrysler's highly successful assembly and design systems. Chrysler hopes to absorb Daimler's engineering quality. Yet there will be rough spots. Daimler's, and Germany's, corporate and labor systems are greatly different from Chrysler's. German law requires, for example, that representatives of

The proposed merger between Daimler's well-paid workers sit as members of its corporate board. The history of mergers between auto-mobile companies in different countries gives pause to anyone who thinks that culture clashes will be easily over-

> The U.S. Congress bailed out a slumping Chrysler in 1980. Eighteen years later, a healthy Chrysler proposes to sell itself to high-bidding for-eigners. That may trouble some Americans who fear the loss to foreign ownership of one of the nation's major companies. But it should not bother shareholders, who will be paid well in shares of the merged company.

Nor should it upset American taxpayers, who were not harmed by the bailout. Chrysler repaid its debts faster than originally negotiated, and the bailout inaugurated almost two decades of prosperity for the company, allowing employment of thousands of workers who would have been forced out. Now the merger with a first-class company should help secure Chrysler's future long after consumer infatuation with minivans and sport utility vehicles, the salvation of Chrysler so far; fades.

—THE NEW YORK TIMES.

### **Protecting Species**

The U.S. Interior Department's proposal to remove more than two dozen rare plants and animals from the endangered species list is not only a triumph for the bald eagle, the peregrine falcon, the gray wolf and their fortunate companions but also a vindication of the Endangered Species Act, which made their survival possible.

The act is the most controversial of all the landmark environmental statutes en-acted in the 1970s. Among the criticisms trotted out over the years is that it does not really work and causes more aggravation to developers and landowners than it is worth to the species.

As this past week's proposal makes clear, however, the act does indeed work. That should send an important message to those in Congress who would weaken it or cut the funds necessary to carry it out.

Under the proposal, announced by Secretary of the Interior Bruce Babbitt, 17 plant species and 12 animal species will be removed from the endangered list completely or downgraded to a lower level of protection over the next two years. Although some of the species will continue to receive federal protection, many will be entrusted to state agencies. Mr. Babbitt will need to make sure that the states have programs in place to ensure that the species continue to flourish once Wash-

ington withdraws its protective shield. The timing of his announcement had as much to do with persuading Congress of the program's value as it did with his scientists' assessment that the

species could now survive pretty much on their own. The Endangered Species Act is celebrating its 25th birthday and is also up for reauthorization. But since neither of the reauthorization bills in the Senate and House is going anywhere, which means that the act as originally written remains in force, the administration's focus has shifted to

the appropriations committees. Mr. Babbitt has asked for a \$30 million increase in funds to help carry out the purposes of the act, from \$70 million to about \$100 million.

Arnong other things, the money would help underwrite scientific research, breeding programs to help the species multiply and land purchases necessary to provide important habitat. The \$30 million request is hardly

outrageous. But this is a budget-conscious Congress. It is also essentially the same Congress that, in 1995, bowed to logging and other commercial interests and imposed a yearlong moratorium on new listings by preventing the Interior Department from

carrying out vital field research.
The American alligator was the first animal to be removed from the en-dangered species list, back in the 1970s. In the next 20 years, only six more species recovered enough to merit de-listing. Wednesday's proposed de-listing was the largest in the history of the act. But 1,135 species remain on the list. A generous Congress can guarantee even more success stories in the

— THE NEW YORK TIMES

### Herald Eribune

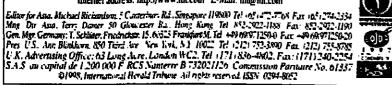
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# For Cambodia, Justice and Hun Sen Don't Mix

WASHINGTON — The United States is pursuing two worthy goals in Cambodia: a democratic election, and the bringing to justice of Khmer Rouge members responsible for the killing of more than a million Cambodians from 1975 to 1978. But these goals are being pursued separately and ineffectively. The U.S government does not understand that they are integrally connected. Full democratization is a precondition for justice.

The idea that there can be free elections in Cambodia on July 26 is a cruel joke. Since his putsch last July, Hun Sen and his supporters have murdered more than 100 opponents, intimidated many others and blocked the opposition's access to the mass media.

The purveyors of this joke are Cambodia's Asian neighbors, along with France. For its own reasons, the United States has not strongly opposed them but instead has made moves to arrest the leaders of the anti-Hun Sen Khmer Rouge faction that arrested Pol Pot.

Pol Pot did not carry out his crimes single-handed. He was assisted by an inner circle of close collaborators, scores of regional and district politicalmilitary commanders, hundreds of village cadres and thousands of members of their armed detachments.

By Stephen J. Morris

The general pattern of social revolution was initiated at the highest level. Lower-level commanders and functionaries carried out those orders. Only a small percentage of these guilty men are now on the run from government forces in western Cambodia. Some former decision-makers and

most of the triggermen still alive are members or supporters of Hun Sen's unelected government, or are prospering under the protection of a government amnesty.

Hun Sen has presided over a restoration to power of the Khmer Rouge without Pol Pot.

The process began when the Vietnamese selected some 80 cadres who had defected from the Khmer Rouge to provide the political backbone of the puppet government they installed after invading Cambodia and overthrowing Pol Pot's regime in 1978.

The restoration accelerated after the UN-sponsored elections of 1993. In 1996, a former Pol Pot foreign

minister, Ieng Sary, defected to the government with 1,500 troops, and several senior commanders with thousands more troops rallied to the govthe American ambassador.

The elected first prime minister, Prince Ranariddh, had supported a policy of competing with Hun Sen for Khmer Rouge defectors by offering amnesty. But Hun Sen was far more successful at this game.

Hun Sen has fully integrated Khmer Rouge defectors into the command structure of his Communist-style Cambodian People's Party. Last July, when he discarded the fig leaf of coalition government that had concealed his seizure of power in 1993, the putsch relied upon many Khmer Rouge de-

fector units. Hun Sen learned from his Vietnamese tutors that the best foundation for sustaining dictatorship in Cambodia today is Khmer Rouge support.

That is why no genuine accounting for the atrocities of Pol Pot's time can be made while Hun Sen is in power. He presides over a regime that protects and is sustained by the very targets of an honest international tribunal.

The United States has no common interest with China and Vietnam on the Cambodia question. Beijing and Hanoi fear the inspirational effect of democracy there. They also fear the implications for themselves of an investi-

ernment under the approving gaze of gation of former Khmer Rouge figures.

priorities as the ASEAN members, which are preoccupied with the East Asian financial crisis and, other than the Philippines, are not themselves models of democracy.

France, as usual, is pursuing a sphere of influence among its former colonial MAKATI CITY Pinters of the Philippine Service Indianal Joseph Service Indiana Joseph Service Indi subjects. Japan is pursuing influence in the only region of Southeast Asia where it has no notoriety for World War II atrocities.

None of the nations that are apologists. for Hun Sen has the slightest interest in the welfare of Cambodia's people.

The U.S. policy of seeking out only the remnant of Pol Por's inner circle gives the impression of an attempt to divert attention from Cambodia's undemocratic present and future. It is a feel-good substitute for a thorough cleansing of Cambodia's political life.

Only a law-governed democratie Cambodia will satisfy the basic political aspirations of its people and provide the institutional base for an honest reckoning with Cambodia's past.

The writer is a fellow at the Paul H. Nitze School of Advanced Internation al Studies. He contributed this comment to The Washington Post.

## Debating the IMF's Role in a Tumultuous New World

WASHINGTON — George Shultz would dismantle the International Monetary Fund, vesterday if he could. Paul Volcker would strengthen the Fund to iron out the spreading

wrinkles of global capitalism. Indonesia's rulers defy, plot with or ignore the Fund, according to the moods and needs of the day. Their citizens riot against economic pain inflicted by the Fund's rules.

In Birmingham, England, weekend. French and American leaders are likely to lock horns during the Group of Seven industrial nations summit meeting over French ideas on giving the Fund some supervision of private international investment flows.

After a half-century of quiet labor on balance of payments problems, the secretive and staid IMF finds itself embroiled in controversy around the globe. Its critics come from virtually every point on the political spectrum, agreeing on only one thing:

The Fund and the international financial system it heads By Jim Hoagland

in dealing with the continuing Asian financial crisis.

fear that the IMF and its ally in Asia, the U.S. Treasury, are actually contributing to Asia's problems and to more devastating capital crunches to come.

escalation of ambitions of the IMF" so unhindered markets

logy, expanding capital markets, education and democracy.

have been woefully inadequate Pushed by the United States, the Fund stepped into the Asian crisis not because of ambition but because there was no one else to deal with the problem.

That is the real problem. Asia's troubles show that in the four years since Mexico's currency debacle the world's most powerful political and financial leaders have taken no effective action to prepare the Fund, or other international institutions, to deal with the financial consequences and vul-

nerabilities of globalization. This is not even an Asian crisis, Mr. Volcker, former chairman of the Federal Reserve, said in a recent speech at Johns Hopkins University. The collapse of Indonesian, Thai, South Korean and other currencies and markets is "only the latest, and most dramatic, episode in a series of events that raise some basic questions about global finance and its implications for

economic development."

the IMF as "the only vehicle we have to bring consensus and le-gitimacy to reform of the finan-cial system on a global scale. But that goes too far for the Clinton administration, which

opposes broad reform of the world's financial system, led by the IMF or by anybody else. Treasury Secretary Robert E. Rubin argues that moments of crisis are the wrong time for monkeying with basic architecture. He favors incremental action — such as upping the U.S. contribution to the IMF by \$18 billion, which will encourage other countries to add \$65 bil-

quo that America dominates. But the incremental approach is in trouble, as Asia's economies show signs of sinking

lion to the Fund's reserves -

and opposes anything that

would change a global status

once again. Following Mr. Shultz's testimony, the House speaker, Newt Gingrich, was said to be leaning toward not scheduling a vote on the \$18 billion request this year.

'political rabbis intent on turn-

ing the Jewish state into a kosh-

need for security. Israel has

peace treaties with two Arab

neighbors and overwhelming

military power. But it does not

have changed, too. Concluding

after the watershed defeat of

three Arab armies and the oc-

cupation of the lands they held

in 1967 that they could not ex-

pect salvation from outside, the

Palestinians set out to organize

their own destiny. After the Gulf War in 1991, it was rec-

ognized that this would have to

be achieved by compromise; by

accepting the legitimate exist-

The Oslo accord launched

the territory of historic Pales-

tine into two states. It was a

tremendous breakthrough, irre-

versible in the sense that neither

side could continue to deny the

existence of the other. The hope

was that step-by-step negoti-

ations would bolster the con-

fidence of both enough to take

Arafat says he will proclaim a state on May 4, 1999, the date

set by Oslo for concluding final

negotiations, whether or not the

That has failed. Now Yasser

the ultimate hard decisions.

Meanwhile, the Palestinians

What they do agree on is the

would use this retreat as am-munition for November, when they will run against an isola-tionist, do-nothing Republican Congress that imperils America's standing in the world.

But in their different ways Mr. Shultz and Mr. Volcker es tablish that a historic conflict of big ideas about market efficiency and economic justice in the era of globalization is under way, with the IMF serving as a catalyst. Mr. Rubin's voice is missing in that debate as he con-centrates on technical fixes and warding off pressures to change a system created 50 years ago for different purposes.

That strategic absence, more than Republican isolationism, is the problem with Mr. Rubin's \$18 billion request. It may now fail, both as legislation and as an election issue, unless the administration can quickly show that this new money is part of a new strategy for dealing with inter national financial problems that America's success in penetrating other markets has helped create

The Washington Post.

parties agree. Benjamin Netan

yahu declares that "would be

direct violation of Oslo and

would dissolve the agree-

alternative but continued con-

struction of settlements and by-

pass roads through territories

that Israel still recognizes as

Palestinian. The Palestinians,

and many Israelis who do see

separate states as the only solu-

tion, suspect that there is a hid-

age the Palestinians that they

abandon all resistance to Israeli

domination. That is no more

likely to happen than the Arab

expectation over much of the

last 50 years of wiping out the Jewish state and driving Israelis

Illusions have changed. But

illusion remains the key and

blocks the peace that all need. If

Mr. Netanyahu is serious about

seeking a definitive settlement

that has a chance of meeting

Palestinian needs, he will not

block the American-urged com-

promise on transitional with-

drawal. If he does, it will show

that he clings to the illusion that

Israel might find peace without

Closing off the West Bank

and Gaza to prevent terrorism

that it cannot be done.

while Israel celebrated its half-century was a way of admitting

accepting a Palestinian state.

It is to gradually so discour-

den long-term plan

into the sea.

Leaving what? He offers no

ment."

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RUSSELS - Christian Nover, the he president designate of the Euro-ta Canal Bank, and Friday the exhave ries between the dollar and the Parliament almosts of the euro bloc were sat-

hond current levels. Mr. Nover, the innerhead of the real Interhead of the French Treasury, told te Comminee on Economic and Monan Affairs of the European Parlia-

annessiolestry to the European Par-bant, which will vote on them Mon-

### 1948: Jerusalem Lull

lived in peace today [May 8]. The battle for the Holy City, now in its sixth month, was halted by a cease-fire order which became effective at noon. The tension which has gripped both Arab and Jewish residents for countless days and nights was visibly tolaxed. There were concrete indications, however, that the peace might be short-lived. The Jewish Agency for Palestine officially agreed to the cease-fire "for the

### IN OUR PAGES: 100, 75 AND 50 YEARS AGO

#### 1898: Fruit of War NEW YORK - Military and

naval men are confident to-day [May 9] of an early termination of the war. Anticipating that Admiral Sampson will be successful with the Spanish fleet in Porto Rican waters, the war will be over in thirty days. Porto Rico will be held by the United States as the fruit of war. It is different with Cuba. The United States has given notice to the world that it does not want Cuba. Its sole purpose is to release it from the Spanish, and to maintain order until a stable, independent government is established.

#### 1923: Train Hostages

PEKING — The Chinese Govemment to-day [May 8] assured Mr. Schurman, American Minister to Peking, that the ransom demanded by the train robbers who held up and looted the

kidnapped the passengers will be paid so as to obtain the liberty of the prisoners, including a number of Americans. The robbers were pursued by local troops and in the confusion many of their prisoners, including the American women, have escaped, reducing to eighteen the total number of foreigners in their hands.

### JERUSALEM — Jerusalem

### Mr. Volcker then endorsed In the Middle East, Illusions Get in the Way of Peace

RIS — As it celebrates its 1 50th anniversary, Israel is a stronger, more prosperous and more divided state than ever before. The government sealed off Gaza and the West Bank during recent celebrations as a necessary security precaution.

This irony is at the heart of the story. There has been profound and dramatic change in Israel since 1948, and nothing has been settled, not even what it means

The founders knew what they intended: a place of refuge and ingathering to enable the Jews so long dispersed and persecuted to become a "normal nation." I remember the exultation of the first Israeli chief of police, who happened to be a Frenchman, saying: "Now we have Jewish

WASHINGTON — Sitting in an airport terminal the

other day. I got into a conver-

sation with a former govern-ment official. We talked about

various matters until the con-

versation got around to Kenneth

Starr and my acquaintance

went, as they say, postal. He raised his voice. He de-

nounced. He cursed, and he did

all of this - he wanted me to

understand - as a self-de-

scribed conservative Republi-

can. This raises a question:

Where, exactly, are those

people who are always warning

about the presumed threat to our

American liberties posed by big

government but who, for some

reason, do not seem to worry

about a pattern of abusive be-

havior by Mr. Start or Repre-

In Mr. Burton's case, his be-

havior has been defended by the

House Republican leadership,

conservatives all. When it was

revealed, for instance, that Mr.

Burton had edited the Webster

Hubbell tapes to make the in-

nocuous seem odious, the House

speaker, Newt Gingrich, blamed

Mr. Burton's release of tapes

not Mr. Burton but his critics.

general and his wife.

sentative Dan Burton.

Where are the rest of them?

our own country. Survival was always the first

problem, and for that population growth was necessary. The first big wave of new migrants came from Arab lands. The in-

binate, even accepting that the state could have no formal constitution because the Torah served as founding principle.

al, not just security but Jew-

Now, onhodoxy is coming to redefine the meaning of surviv-

ishness itself. A fellow guest of former President Chaim Herzog told me once, when I complained about the assertiveness of the ultra-religious: "Why do you suppose there aren't 60 million Jews in the world, after so many generations? It's not because of the Holocaust. It's assimilation. We owe our survival

But later, a photographer from Tel Aviv, who had just been observing angry Jewish settlers in Hebron, said: "I don't feel I belong in the same state. I belong to the state of Tel Aviv." Ze'ev Chafets, former spokesman for Likud and for Prime Minister Menachem Be-

#### ence of Israel. gin, writes disdainfully of the the "peace process," not yet peace itself but an implicit agreement that it would be reached through separation of

inal law as far as it will go.

already represented by counsel. Her lawyer was not notified. she was merely saying what Mr.

You would think conservatives, of all people, would be troubled by the use of such prosecutorial muscle. But they seem to loathe Bill Clinton more than they love limited government and prosecutorial

He dragged Monica Lewinsky's mother before a grand jury - not because he had to, but because he could. He summoned the White House aide Sidney Blumenthal before the grand jury, not because Mr. Blumenthal is an alleged conspirator but because he talked critically to the press about Mr. Start's assistants - not yet a crime in the United States. And his assistants spent 10 hours talking with Monica Lewinsky in January when, as they knew, she was

prosecutor with his foot to the floor, careering down the street after a president who may have lied about a sexual relationship. This is the hot pursuit of a shoplifter.

Conservatives, of all people, ought to see that, but they seem blinded by their hatred of Mr.

principles - a bunch of Ahabs going down with the whale of their own fixation.

Clinton. They would rather see

him hurt than stand on their own

Pukow-Tientsin express and

time being," but added that "this is a cease-fire, not a truce."

Inc. see the lines of the lines Ribelates pour son a transport of the said short 32 percent of the said sh presidency in multi will electron a procession and A THE ROLL WATER heality win created Moony to a series a series as ble other is a line.
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11th Hour for the

As Presidential Election New

By Don Kirk

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Mr. Shultz and others even

He voiced that fear recently in testimony to a congressional committee. The Fund encourages investors and bankers to take imprudent risks by providing taxpayers' money to bail them out, he said. The man who was Richard Nixon's Treasury secretary and Ronald Reagan's secretary of state urged Congress to turn back "a pattern of

could resolve these problems. Mr. Shultz goes too far. The IMF is a lightning rod for the financial storms kicked up in the reshaping of the world economy by the forces of techno-

policemen arresting Jewish criminals and Jewish prostitutes

scarcely foreseen.

to be a Jewish state.

flux of Russian Jews, now nearly a million in Israel, was But least expected among the pioneers was the rising voice and power of orthodoxy. For political reasons, David Ben-Gurion left wide legal scope to the rab-

to the orthodox."

Where Are the Big-Government Foes?

Conservatives, though, are not appalled at this abuse of governmental authority. Nor do they seem to be troubled by the hardball tactics of Ken Starr. The other day, for instance, he indicted Susan McDougal yer again, this time for criminal contempt and obstruction of justice. Mrs. McDougal has already served 18 months in jail for refusing to answer Mr. Start's questions, If she even-

Starr wanted to hear. Similarly, Mr. Starr has inon tax evasion charges. As with within his rights to bring such an indictment, but it is an extreme measure, yet another whack at Mr. Hubbell for a crime that normally would have

made of Mr. Hubbell's prison telephone calls to his wife, lawyer and others is an inexcusable invasion of privacy. In addition to conversations edited to seem suspicious, committee members, staffers and now reporters have been able to listen to private conversations between the former associate attorney

By Richard Cohen

tually relents, her testimony would be near worthless anyway. A jury might conclude that

dicted Mr. Hubbell and his wife Mrs. McDougal, Mr. Starr is called for a fine.

Mr. Burton is democracy's mutant — the political equivalent of a two-headed frog. the sort of mistake the system produces every once in a while. Not so Mr. Starr. He is a stock figure, the self-righteous inquisitor pushing the crim-

Each and every time Mr. Starr's defenders proffered the line that this is either standard operating procedure or, if not, then the justifiable use of extreme measures. But taken together, we have a pattern of excessive behavior, a

Perjury or obstruction of justice, especially by a president. is a serious matter. But so, too, are reckless prosecutions and congressional investigations that, in the end, threaten us all. congressional

The Washington Post

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## 11th Hour for the Philippines' Man of the Masses'

As Presidential Election Nears, Business Community Ponders Popularity of Estrada

By Don Kirk

MAKATI CITY, Philippines — Members of the Philippines elite once liked to laugh at Joseph Estrada, the former comic actor who serves as the country's vice president.

Many other Filipinos just chuckled affectionately over Mr. Estrada's slapstick movie career and the frequent reports of his drinking, womanizing and even consorting with gangsters.

But since Mr. Estrada soared to the

lead in voter polls and now appears likely to win the country's presidential election on Monday, the laughter has died down. Veteran business executives in this high-rise financial center of metropolitan Manila are spending a lot of their free time these days analyzing why Mr. Estrada has such strong public appeal in a society long dominated by wealthy merchant families.

He's a man of the masses," said Arthur Sokolow, who runs a fund management company. "It's the masses who go to see these grade B films. He doesn't come from the establishment. They see the establishment as his biggest opponents, and the establishment is the elite.'

If the latest polls showing Mr. Estrada with about 33 percent of the vote in the 11-candidate field are correct, he will handily win election as president on Monday for a six-year term. He would take office at a time when the economy

is hovering on the brink of crisis.

Although the Philippine peso has slumped drastically and business is growing at its slowest pace in five years, analysts still believe the country will avoid the recession that has hit other Southeast Asian nations.

Much of the credit for the Philipoines' economic resilience goes to President Fidel Ramos, who has liberalized



Joseph Estrada, who leads presidential polls, with his wife, Loi, on Friday.

ament to the depth of change during his presidency is that the economy is likely to survive both Asia's economic slowdown and the election of Mr. Estrada.

Under such circumstances, business executives are slowly coming to grips with the fact that the 61-year-old vice president, for all his faults, may soon be governing this country of 71 million people. The jovial, beer-bellied populist, they say, may not be so bad after

'I'm not a bit alarmed," said George Drysdale, an American businessman who has spent most of his career in the Philippines. "He's smart enough to

the economy and opened up markets know he's got to follow the policy that during his six-year term. Indeed, a test-

Mr. Drysdale, like many other investors and traders here, is convinced that Mr. Estrada means it when he says he will support the liberalization measures that Mr. Ramos rammed through

an often reluctant Philippine congress. Still, the World Bank wants a promise that he will continue economic reforms and has threatened to withhold a \$500 million loan without it, according to Bloomberg News.

'The bank's board will need to be assured that the new president-elect is committed to the banking sector reform program," Vinay Bhargava, director for the World Bank's operations in the Phil-

ippines, said Friday. Noel Bonoan, an attorney with SyCip Gorres Velayo & Co., a leading accounting firm in Manila, said he thought as Mr. Estrada is often referred to, would "make a lot of people very

nervous.

"But I don't think his election will adversely affect the economy," he said.

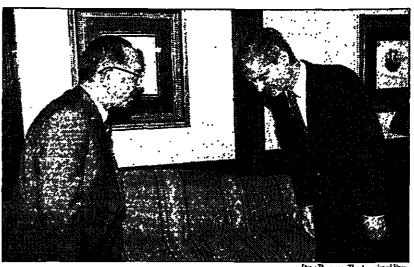
Mr. Ramos has made clear his disdain for Mr. Estrada, whom he frequently has tried to ignore as the No. 2 political leader of the country. The vice president runs on a separate ticket, and Mr. Estrada easily defeated Mr. Ramos's choice in 1992.

This year, Mr. Ramos, who is barred from seeking a second term by the Philippine constitution, has thrown his support behind Jose de Venecia, who pushed through much of the president's reform program as Speaker of the House of Representatives and is sure to want to carry on his policies.

But Mr. Ramos is clearly identified with the establishment. He is a career general who once worked for Ferdinand Marcos but then sided with former President Corazon Aquino against the dic-

Mrs. Aquino, from one of the country's richest landowning families, also represents the establishment even though she led what appeared to be a popular uprising against Mr. Marcos more than 12 years ago. She supports Alfredo Lim, the hard-nosed mayor of Manila, for President.

The man most likely to exercise the greatest influence on Mr. Estrada if he is elected may well be his vice-presidential candidate, Edgardo Angara, who as leader of the Philippine senate also helped push through President Ramos's program. But Mr. Angara, a former president of the University of the Philippines, is seen as having little chance to



Japan's finance minister, Hikaru Matsunaga, left, being greeted by the U.S. Treasury secretary, Robert Rubin, on Friday in London for G-7 talks.

## U.S., U.K. and Japan Optimistic on Asia

By Tom Buerkle International Herald Tribune

LONDON - Senior officials of the United States, Britain and Japan voiced optimism Friday that Asia's economic crisis was bottoming out, but they urged Asian governments, in particular Indonesia, to match economic adjustments with political reforms aimed at strengthening democracy and alleviating the social costs of recession.

The comments came as finance and foreign ministers of the Group of Seven nations gathered here for their annual meeting devoted primarily to revamping the international financial system to prevent, or better manage, future financial crises.

They reflected heightened concern about political instability not only in Indonesia, which a senior official called a powder keg after riots over price increases earlier this week, but also in South Korea, Thailand and Malaysia, where financial markets have begun to recover but large-scale layoffs and other

restructuring still loom. Economic reform in Indonesia "must be accompanied by political reform, with the respect for individual rights that is necessary," said Gordon Brown of Britain, the chancellor of the Exchequer, who was chairing the finance ministers' meeting. "There is no room for oppression in any society," said Mr. Brown, who met with President Suharto in Jakarta earlier this week.

Mr. Brown also said ministers would call on the World Bank president, James Wolfensohn, to step up public works projects aimed at easing the pain of structural reform in developing countries.

Foreign Minister Keizo Obuchi of Japan said the situation in Indonesia had 'turned better in the economic aspect." He said, "Looking at it socially, however, ordinary citizens have begun to be affected. I am concerned about it, and will watch the situation closely.

In an address to bankers in the City of London, Robert Rubin, the U.S. Treasury secretary, spoke of "beginning to see a return to financial stability" in Asia. But he said Asian governments needed to stick with their economic reform proerams of budget tightening, banking reform and corporate restructuring

difficult politically as that may be."

The meetings here Friday and Saturday were expected to refine a number of proposals put forward in recent months for overhauling the world financial system, including requirements for greater openness about economic policies to avoid crises; tighter surveillance of national economies by the International Monetary Fund and the World Bank, including warnings for any governments that reject economic reforms; and getting private banks and investors to pay a greater share of the cost of bailing out troubled economies. Ahead of the meeting, the IMF man-

See G-7, Page 13

### **ECONOMIC SCENE**

## U.S. Auto Union Sees Opportunity in German Link

By Frank Swoboda Washington Post Service

WASHINGTON — When U.S. labor unions used to call for the workers of the world to unite, little did they dream it would be corporate chieftains who would help them do it.

The takeover of Chrysler Corp. by Germany's Daimler-Benz AG, announced Thursday in London, raises enormous questions for labor and its ability to capitalize on the increasing globalization of everything from automaking to package delivery.

The takeover not only marries two

of the world's most famous carmakers, it places two of the world's most powerful labor unions --- the Detroitbased United Auto Workers and Germany's giant IG Metall - under the same corporate roof.

The deal, which still must be approved by both companies' shareholders, comes at a time when the UAW is Stillman said the takeover also offers er, vulnerable to the cyclical nature of

involved in a major merger of its own. Targeted for 2001, the merger with the United Steelworkers Union and the International Association of Machinists would create a metal workers union in the United States with 2 million members, basically patterned after the structure of IG Metall itself.

"This is a great opportunity for labor," said the former UAW president, Douglas Fraser, who led the un-Chrysler bailout nearly 20 years ago. "I think it namrally follows that the two unions will work together more closely.'

Dairnler and Chrysler, for example, each have production facilities around the world. Don Stillman, who heads the UAW's Washington office, said the combined clout of the unions will give them more leverage to help workers at company plants worldwide, some of which are not unionized. Mr.

an opportunity for the UAW to try to bring some of the West European "labor tools" such as co-determination, worker councils and information disclosure to Chrysler.

But there also is a dark side for labor, which could result in the two unions fighting each other for future jobs. "The labor costs in Germany are sig-nificantly higher than they are in the U.S.," Mr. Fraser said. "If Daimlerdecides to build in than Germany, it could rub them the wrong way," he said, referring to IG

Mr. Fraser also cautioned that promises made by the two companies - no job reductions as part of the takeover -could change dramatically if there is a sudden downturn in the industry. Mr. Fraser, who served on Chrysler's board, noted the company was so heavily involved in light-truck manufacturing that it essentially is a niche play-

the auto business. "It's not well rounded," he said. 'There's an old cliché that you can-

not divide up scarcity, you can only share in abundance," Mr. Fraser said. "If you have scarcity in Germany, you can visualize competition" between the two unions.

Daimler's U.S. investment is apt to be the most immediate test for the erged corporation and its unions. The raised that possibility when he suggested that Daimler's nonunion assembly plant in Vance, Alabama, should be put under the UAW's contract with Chrysler. The UAW already has started an organizing campaign at the plant, which makes the Mercedes-

Benz M-Class sport utility vehicles. Mr. Yokich said at a news conference in Detroit that the Chrysler-Daimler merger could be a win-win

See UNIONS, Page 13

### Battle for Rolls Isn't Over

#### VW Faces Further Fight Over Name and Engines

LONDON -- Volkswagen AG could draw fire from loyal Rolls-Royce enthusiasts and face a lengthy legal battle with the owner of the carmaker's brand, signaling a difficult struggle to establish control of Rolls, analysts said Friday.

Bayerische Motoren Werke AG withdrew Friday from a bidding war for the Rolls-Royce Motor Cars division of Vickers PLC, leaving VW's £430 million-pound (\$707.7 million) bid on the table. BMW at the same time said it would stop supplying engines to the luxury carmaker.

Even if BMW honors a contract requiring it to give 12 months notice before the cutoff, analysts say that would leave Volkswagen little time to develop an alternative for fastidious Rolls buyers. Any drop in quality could also give Rolls-Royce PLC, the separate company that makes jet engines and owns the brand name, grounds to fight VW's

statement to the London Stock Exchange that said it would take 'whatever action is necessary" to protect the brand.

"It was a very aggressive statewill not succumb to political pressure. ment," said Guy Hewett, an analyst

with Charterhouse Tilney Securities. "It looks like they're going to create a few problems."

Volkswagen has said it is not concerned about losing BMW's supplies, which also include parts such as air conditioning and transmission units that account for about 30 percent of the new \$250,000 Silver Seraph.

VW has said it plans to buy engines in Britain, probably from Vickers's own Cosworth unit.

But analysts warn it could take more than two years to develop an engine from scratch. They say VW's other tack adapting one of its existing engines, such as the eight-cylinder engines made by its Audi unit — could anger Rolls buyers just as it hopes to woo them.

'Rolls owners are already dissatisfied at the idea that the car has a German engine under the bonnet," said Coram Williams, who follows the industry for Autocar magazine.

bid.

The jet engine maker made a point of withholding support from VW in a brief or about the idea of dropping an Audi engine under the bonnet of a Rolls." Mr. Williams said.

Vickers itself was sanguine about selling the 92-year-old carmaker to Volkswagen even if BMW cuts supplies. Shareholders will decide which bid wins at a June 4 meeting.

### EU Banker Satisfied With Dollar Rate

BRUSSELS — Christian Noyer, the vice president-designate of the European Central Bank, said Friday the exchange rates between the dollar and the currencies of the euro bloc were sat-

"It would be good to keep the rate around current levels," Mr. Noyer, the former head of the French Treasury, told the Committee on Economic and Monetary Affairs of the European Parlia-

Mr. Noyer was the last of six European Central Bank executive board nominees to testify to the European Parliament, which will vote on them Mon-

The hearings of the candidates, who will set monetary policy for the 11 countries taking part in the single currency, comes after a meeting last weekend in

which European Union leaders chose euro participants and set exchange

The hearings, a dry run for what the Parliament hopes will be a regular quarterly cross-examination of the Frankfurt-based institution, showed that Europe is about to get a hard-nosed central bank committed to stamping out

While some of the six said the central bank should look at Europe's high jobless rate when setting interest rates, all said monetary policy could only be relaxed to foster growth once price sta-bility — defined by most as a rate of inflation in a range of zero to 2 percent

- had been assured. All of the candidates said they were against sacrificing internal price stability in the name of pursuing an external exchange-rate goal.

Inflation in the 11 countries set to begin economic and monetary union next year was 1.2 percent in March, according to latest data from the EU statistics agency Eurostat.

Mr. Noyer said the goal of the European Central Bank would be to secure long-term price stability, which he said had already been achieved in the Euro-

Hans Tietmeyer, the president of the Bundesbank, said Friday the proposed board "reinforces confidence in the future monetary policy" of the central

Asked whether he will be above political pressure, Mr. Noyer said: "I have never put aside my convictions to please. I am ready to get angry with somebody to ensure my independence. Do not have fears about my indepen-(Bloomberg, Reuters)



Christian Noyer of France says he

### **CURRENCY & INTEREST RATES** May 8 Libid-Libor Rates

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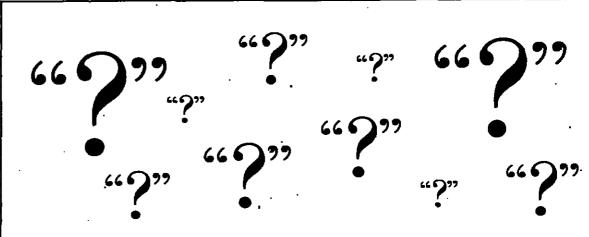
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5.00 6% 57% 5.58 5.40 \$.06 Yield 5.11 5.43 5.43 5.43 5.45 5.45 5.45 5.45 5.47 0.50 0.57 0.57 0.57 0.61 0.64 1.60 9.50 0.39 0.40 0.45 0.67 N.A. 300.50 +2.15 259,15 300.40 +2.30 259.50 300.70 +1.10 U.S. dellars per ounce. Landon fixings: Zurich and New York ope and closing prices: New York Con (June.)

P.M. Ch'ge

**Key Money Rates** 



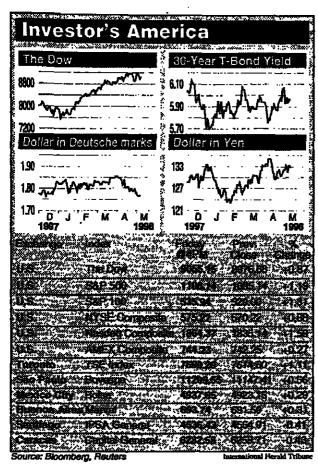
It appears that the euro has united Europe after all.

To find out how IBM can help, visit our euro website at

www.ibm.com/euro

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#### THE AMERICAS



#### Very briefly:

 Advanced Magazine Publications Inc. said that its Conde Nast Publications division will acquire WIRED Magazine from Wired Ventures Inc. Acquisition terms were not dis-

• Canada's unemployment rate fell to the lowest level in seven and a half years in April as expanded business services and retail sales provided more jobs than expected, pushing the iobless rate down to 8.4 percent.

• GTE Corp. said it had filed a federal lawsuit in Washington to block or at least delay WorldCom Inc.'s proposed \$37 billion purchase of MCI Communications Corp.

• The IMF's role in Asia is important, two-thirds of executives of the largest American corporations believe, and nearly all say the U.S. government should approve increased funding for the body, a survey conducted by the Business Council found.

 Michael Jackson, the pop star, has met with casino officials and shopped for land to build a casino, hotel and theme park complex in the U.S. Virgin Islands, the Virgin Islands Daily • U S West Communications Group said it would increase

the price of local pay telephone calls in seven states by 10 cents, to 35 cents a call.

#### Liz Claiborne and Union Accused New York Times Service

NEW YORK - Liz Claiborne Inc., the clothing manufacturer, and Unite, the principal garment industry union, have been accused in a lawsuit filed in the U.S. District Court in Manhattan of conducting "a massive fraudulent scheme" to destroy one of Claiborne's sweater suppliers, Mademoiselle Knitwear Inc. of Brooklyn. Claiborne and the union, officially the Union of Need-

letrades, Industrial and Textile Employees, denied the charge.

#### **Dollar Tips Lower** On Talk by Japan Of a Stronger Yen

NEW YORK -- The dollar fell against the yen Friday after Japan's finance minister, Hikaru Matsunaga, said his country would take steps to strengthen its currency.

major currencies. Reduced expectations that Ger-

#### terest rates next week drove the dollar FOREIGN EXCHANGE

higher against the Deutsche mark. Mr. Matsunaga's remarks came in London as he met the U.S. Treasury secretary, Robert Rubin, ahead of a meeting of finance ministers from the Group of Seven nations. Reiterating past comments, Mr. Matsunaga said Japan would sell

dollars "when appropriate" to stop excessive" drops in the yen. The Bank of Japan showed its penchant for defending the yen when it sold dollars on April 9 and 10, driving the dollar down 6 yen.

'One of the things that is going to keep the dollar in check is people know the Bank of Japan has intervened in the past." said Fernando Medina, senior currency trader at Banco Atlantico.

The dollar was quoted at 4 P.M. at 132.845 yen, down from 133.30 yen on Thursday. It rose to 1.7694 DM from 1.7665 DM.

The dollar rose to 5.9327 French francs from 5.9297 francs Thursday. The U.S. currency was quoted at 1.4797 Swiss francs, up from 1.4730 francs. The pound fell to \$1.6355 from \$1.6485 on Thursday.

# Wall Street Cheers Employment Report

Compiled by Our Stuff From Dispusches NEW YORK - Stocks rose Fri-

day after a report on U.S. unemployment offered little cause to worry about inflation and on indications that corporate profits are expanding. General Electric helped blue-chip

issues rise after its chairman pre-But the dollar rose against other dicted annual revenue of \$125 billion by 2000. GE rose 1 5/16 to 83 3/16, helping lift the Dow Jones industrial many's central bank will raise inaverage 78.47 points, to 9,055.15.

"GE is indicative of what's happening in American industry today, said Michael Manns, a money manager at American Express Asset Management "Low interest rates

By Jennifer Steinhauer

New York Times Service

NEW YORK - U.S. retailers

have reported their best monthly

sales gains in four years, capping one of the healthiest quarters of

retail sales in almost a decade.

Sales in retail stores open at least a

year rose 10.2 percent in April,

according to the Goldman, Sachs

For the first quarter of 1998 -

which for retailers runs from Feb.

1 to April 30 - same-store sales,

or sales in stores open a year, rose

other quarter in the past 10 years

with the exception of the first

quarter of 1994, when sales rose 7.9 percent. "The numbers are so good, we

Retail Composite Index.

more productive work force means at 1,108.14 and gaining issues out-'stocks can appreciate."

triggered by a government report change. that showed the jobless rate fell to

#### U.S. STOCKS

4.3 percent in April, the lowest since 1970. Even so, slower growth in manufacturing jobs suggested that after falling Thursday on worries the economy may slow enough in about the company's antitrust troucoming months to let the Federal bles with state and federal anthor-Reserve forego raising interest rates. ities. State anomeys general will not The broader market also was halt the launch of Microsoft's Win-

strong, with the Standard & Poor's dows 98 software but intend to chal-

Retailers Fete Quarter's Sales Bonanza

sheet page." said Jeffrey Feiner, a retail analyst at Lehman Brothers.

Nearly every piece of economic data over the last two years has

pointed to consumers willing to

spend. Unemployment has been at

its lowest in a quarter century and

inflation has remained almost nonexistent. At the same time, the

stock market has been buoyant, and

consumers have been buying new

however, spending in general re-

tail stores has mostly lagged be-

losing money many months of the

year. Retailers turned a corner this

spring, however, helped by a com-

bination of the failure of several

Despite all this good news,

homes and antos and traveling.

6.5 percent, according to the report hind, with many stores actually Thursday. That was far above any losing money many months of the

numbering losing ones by a 9-to-5 The market's advance was ratio on the New York Stock Ex- said Friday.

Technology stocks were strong, with the Nasdaq composite index rising 29.24 points to close at 1,864.38.

Microsoft was the most actively

among retail companies and shop-pers who have decided that it is

"If you look at 1996," said Richard Baum, a retail analyst at

Goldman, Sachs, "retail sales

were up 3 percent. In 1997, we

crept up to 4 percent. But now, we

are up 6 percent, year to date. People feel good about going out

Overall, all types of merchan-

dise sold well in April, with the

cheapest and the most expensive

stores faring the best, as has been

shopping for apparel, and things

were by and large sold at full

trends in inflation and interest

"Warm weather sent people out

Mr. Feiner said. "Given

the trend for several quarters.

and spending money.

price."

chains over the past two years, rates, we do not believe the con-

tighter inventory management sumer is spent out."

time to restock their closets.

and benign inflation" coupled with a 500 index closing 13 points higher lenge restrictions that the company wants to place on computer makers a source close to their discussions

R

Intel, which, according to a Business Week report, may also face. antitrust action, rose 3 to 84.
Ascend Communications rose 274 to 45 1/16 after analysts at Cower &

Co. and Donaldson Lufkin & Ien-rette Securities Corp. issued buff recommendations on the stock. Dell Computer rose 5 1/16 to 91. 11/16 a day after saying it would build personal computers with faster digital moderns to speed access an the Internet.

Auto stocks were strong on ext pectations that the drive to save money, speed product development and increase market share may force more companies to follow the example of Daimler-Benz, which is acquiring Chrysler.

Analysts say coming mergers could involve huge companies his Ford and General Motors, who have admitted to be shopping around for attractive deals. GM rose 1% to 68% and Ford gained 1/4 to 45%.

Sports Authority and Woolworth proposed acquisition of the specialis retailer. Traders said Woolworth ext ecutives disclosed in a conference call that the stock transaction woold: dilute its earnings by 4 percent in 1999. Sports Authority fell 1 15/16 to 16 1/16 and Woolworth also lost 1 13/16 to 21 3/16.

Drug stocks were strong as m vestors looked for more break, throughs like Pfizer's anti-impotence drug Viagra. Pfizer rose 414 to 11114 (Bloomberg, AP, Reuters)

### JOBS: U.S. Economy Stays on a Roll as Unemployment Rate Drops and Inflation Keeps Out of View

Continued from Page 1

come from companies. Analysts cited weather-related factors and the Easter holiday for some of the unusual patterns. Taken as a whole, the report "really says that people left the labor force," Mr. Shipley said. Since that is unlikely in a growing economy, Mr. Shipley added, these guys are going to be showing up" in subsequent reports.

The reaction in the financial markets supported his view that the data did not indicate a labor shortage. In the bond market, which is the

most sensitive to interest-rate con-

5.97 percent from 5.95 percent. One notable element of the jobs report on Friday was that 10,000 factory jobs were lost last month, reflecting competition from Asian imports. After the sharp falls in Asian currency values last year, the dollar prices of exports from the region have declined,

providing an anti-inflationary coun-

terweight to the U.S. expansion.

Mr. Shipley said the fall in manufacturing employment was a sign of declining inflationary pressures. Another factor that argued

against a rate rise was "the big drop in the workweek," according to cems, prices dropped sharply as the Cary Leahey, chief U.S. economist figures were announced, but then at High-Frequency Economics, a recovered as investors studied the consultancy in Valhalla, New York. details of the report. The yield on the Hours worked at all nonfarm en- able. The Dow has gained nearly 15 30-year Treasury bond edged up to terprises fell 0.4 percent, to an av- percent this year, even though cor- come popular in the United States growth.

erage 34.4 per week, while man-porate profit growth has slowed. and are growing in attractiveness ufacturing hours dropped 2.7 This means that price-to-earnings abroad because demographic treads ufacturing hours dropped 2.7 percent to 40.7 hours. What really counts in terms of

figuring out GDP growth," Mr. Leahey said, is "what the people who are gainfully employed do.' He said the falling workweek and first-quarter data on inventory accumulation suggested that the gross domestic product would grow at second quarter, down from the 4.2 percent rate of the first quarter.

If the economy slows to that range, he said, the Fed would be unlikely to engineer a rate increase, no matter what the unemployment rate is.

Looked at that way, the stock market's rise Friday is understand-

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ratios, one of the most important valuation indicators on Wall Street. have been rising to record levels.

That has raised concern of a speculative bubble on Wall Street, in which people bid stock prices higher in a kind of herd mentality that does not relate to business prospects. Mr. Leahey said this could lead the cenabout a 2 percent annual rate in the tral bank to push rates higher because the inflation in asset prices might spill over into goods and services, but he noted that the "most visible sign of a speculative bubble, large increases in real estate values, does not seem to be present."

One reason for the rise in stock and bond prices is the flow of cash into retirement accounts. These have be-

make it unlikely that state pension systems will provide comfortable re-tirements. This is one reason that some analysts say that valuation measures such as price-to-earnings ratios and dividend yields are sustainable at their current record levels. (Dividend yields are at record lows.) Another reason, Mr. Shipley said.

has been the near-perfect economic environment of the past few years. during which GDP has expanded at rates of between 2 percent and 4 percent a year with little inflation. The stock market likes moderate economic growth," he said, "because with moderate economic growth you get stable-to-declining interest rates and you get earnings

### **AMEX**

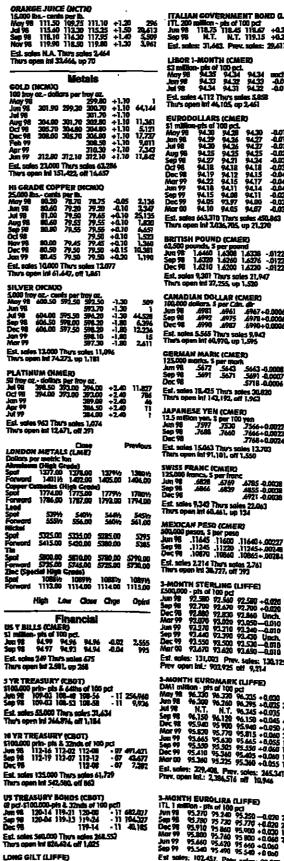
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#### **EUROPE**

## German Jobless Rate Tips Down to 11.4%

FRANKFURT — Unemployment dropped in Germany to 11.4 percent in April from 12.1 percent the month before, but the number of people without jobs hit another peak, the federal labor office said

than in March, but 74,000 more than in April last year and a record high for that month.

On a seasonally adjusted basis, the number of people who were out of work fell 25,000, to 4.39 million, as joblessness in Eastern Germany showed a decline that has been anticipated for some time.

#### Western Germany's jobless rate Swiss Advance On Jobs Front

Bloombere News

BERN — The jobless rate in Switzerland fell to 4.2 percent in April from 4.6 percent in March, according to data released Friday, as the number of unemployed fell 11.786 from the previous month to 153,897.

After years of belt-tightening. Swiss companies such as Novartis Swiss companies such as Novarus square, blowing whistles and car-AG, a drug maker, have begun cre-rying signs demanding jobs. ating more new jobs than they are shedding, as demand at home and abroad accelerates. The Swiss economy is expected to grow about 2 percent this year, according to the Swiss National Bank, which predicts

the strongest growth since 1989. The jobless report comes after a number of indicators pointed to accelerating growth. Industrial activity expanded for a fourth month in April, the Swiss Association of Purchasing Managers said this week. The index of leading economic inuficators, a gauge of future economic that March industrial output had growth, rose 1.5 percent in March fallen, the figures could cast doubt

from a year earlier. falling since February 1997, when it reached a record 5.7 percent.

was 9.5 percent in April, compared with 10.0 percent in March, while the Eastern rate fell to 19.4 percent

from 20.6 percent.
Chancellor Helmut Kohl's government, facing general elections in September in which unemployment is a key issue, said improvements in About 4.42 million people were the labor marker were "unmistak-dut of work in April, 202,700 less able," but that more job creation was needed.

"Despite this gratifying news, the unemployment in Germany is too high," the government said. "It remains the No. 1 political chal-

The head of the federal labor office in Nuremberg, Bernhard Jagoda, attributed the decrease in the jobless rate to seasonal factors, make-work programs and a steadier economy. He said it was not clear whether the improvement would continue.

Separately, the Bundesbank said in its monthly jobless report that "signs of stabilization in the labor market are growing," at least in

Western Germany.
But for the fourth straight month, activists protested in cities throughout Germany as the jobless figures were released. They demanded that the government to do more to create jobs. In Frankfurt, about 300 people rallied in a central

Rudolf Scharping, the parliamentary leader of the opposition Social Democrats, said that joblessness was "dramatic" despite the April figures. Some analysts said the improvement in the labor market had probably come too late to help Mr. Kohl's coalition in the elections.

Separate data released Friday showed that new orders to Germany's manufacturing industry had dropped 1.3 percent in March, as orders from domestic companies slumped.

Combined with a report Thursday on a government prediction of The unemployment rate has been growth as high as 3 percent this year, after a 2.2 percent expansion in "The chip industry is cyclical," 0.9 percent 1997. (AP. Reuters. Bloomberg) said George Scalise, president of February.



A protester in Berlin, carrying a sign that reads "Share work fairly." The number of jobless in April set a record for the month.

### Chip Sales Take a Global Dip

Worldwide sales of computer mi- ation. But the group is "optimistic crochips fell by 4.9 percent in March from a year earlier as oversupply lowered prices for memory chips, an industry association announced on

Sales fell to \$10.429 billion, the Semiconductor Industry Association said. The decline followed six months of steadily slowing growth since September.

Only Europe among the four regional markets tracked by the association — including the Americas, Japan and the Asia-Pacific region — had sales growth of more than I percent during the month. "The chip industry is cyclical,"

that sales will return to historical growth patterns in 1999," he added, as unit demand continues to increase, and supply and demand come into better balance."

Semiconductor Industry Associ-

Japanese sales plunged 13.5 percent, to \$2.237 billion, in March

from a year earlier. Sales in the Americas, the largest regional market, fell 7.2 percent, to \$3.416 billion.

European sales rose 2.9 percent, to \$2.443 billion, while Asia-Pacific sales gained 0.3 percent, to \$2.333 billion.

Worldwide microchip sales fell 0.9 percent overall in March from

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### Sales Surging, **Eurobonds** In '98 Could Hit \$1 Trillion

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Bloomberg News

LONDON -- The European bond market is on track for a record \$1 trillion of new issues this year, as borrowers taking advantage of nearrecord low yields give investors a wider range of securities to choose

As of May 6, \$402.7 billion of Eurobonds had been sold, outstripping the \$273 billion sold at that point last year, according to Capital Data Bondware, which tracks bond

Moreover, with investors already expecting a rise in official interest rates in the United States, the world's biggest economy, and in Germany, Europe's benchmark economy, it is unlikely that higher rates will dampen demand for new bonds.

"If you annualize the amount already sold, it works out to more than \$1 trillion," said Peter Price, head of fixed income at Hill Samuel Asset Management, which oversees £8 billion (\$13.2 billion) of bonds. 'Government bond markets are discounting interest rate rises so even if the Bundesbank hikes, it likely

won't slow down new sales." It's not the first time the market has looked set to hit the \$1 trillion mark. Last year, when \$90 billion of new bonds went on sale in January. bankers began to expect a \$1 trillion year. A slump in Asian stocks, bonds and currencies in the second half of the year smothered demand for emerging market debt, however, and the market total only reached

\$746 billion for 1997. So far, this year's only threat to the bond market setting a 13-digit record is the prospect of higher interest rates in Europe and the United States, reflected in the interest rate futures market.

The three-month September dollar contract has an implied rate of than the current three-month rate offered between banks.

High Low Close Prev.

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#### Investor's Europe London FTSE 100 Index CAC 40 5000 MV 3000 ⊶√√ 4700 D J F M A M 270 1997 1998 1967 1998 2700 D J F M A M 1997 1998 Prev: Close Exchange: 1,163.98 1,143.34 +1.81 BEL-20 3,059,40 3,029,47 +0.99 Frankfurt. DAX: 5,257.58 5,186.23 +1.38 Copenhagen Stock-Market ..... Classed 781.50. 4,929.29 4,909.38 +0.41 HEX General OBX 738.44 739.82 -0.19 FT8E 100 5,969.80 5,938.00 +0.54 Stock Exchange 853.25 852.04 +0.14 23517 Paris CAC 40 Closed 3,906,36 Stockholm SX 16 , 4,986.57 4,964.54 +0.86 1,569.47 1,546.86 41.46 ···· ATX····· SPI 4,739.35 +0.71

#### **Very briefly:**

• Robeco Groep NV, the asset management arm of Rabobank Nederland, said it would buy Weiss, Peck & Greer LLC for an initial payment of \$375 million, plus up to \$200 million more over the next five years depending on future profit at the U.S. asset-management firm.

Hillsdown Holdings PLC said it would shed its chilledfood, house-building and furniture divisions, which make up a third of its sales, as part of a reorganization program amid falling profit.

 Scandinavian Airlines System and Lithuanian Airlines aim to establish a strategic partnership no later than Sept. 1. Granada Group PLC and Carlton Communications LC said they were on track to launch their British Digital Broadcasting venture in the fourth quarter, and forecast

strong profits. • Petrofina SA, the Belgian oil concern, said it was signing a venture with the German chemicals company BASF AG to build the world's largest naphtha steam cracker, a machine that breaks up chemical compounds, in the United States.

• MAN AG, the German truck and machinery maker, posted an 18 percent rise in sales for the nine-month period ended March 31, to 15.8 billion Deutsche marks (\$8.9 billion).

 A U.S. communications satellite successfully went into orbit after blasting off aboard a Russian Proton rocket from the Baikonur cosmodrome in Kazakhstan, space officials said. 5.73 percent, or 4 basis points more • Pharmacia & Upjohn Inc., the Swedish-American pharmaceutical group, said it expected to see double-digit profit growth in the next few years. Bloomberg, Reuters, AFP

#### **WORLD STOCK MARKETS**

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#### Markets Closed

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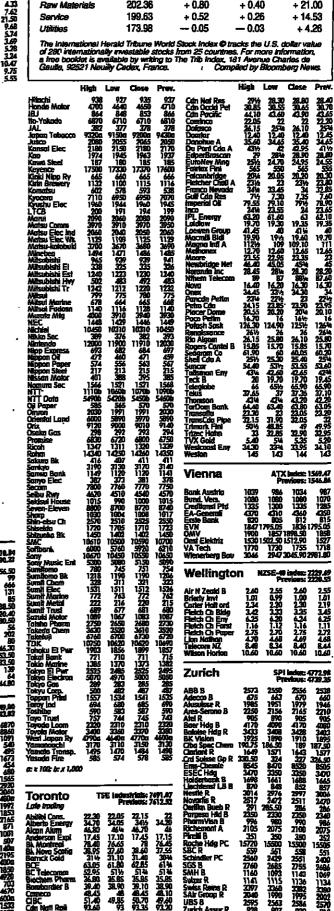
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| 14.00 | 17.00 | 15.99 | 09.90 | 09.90 | 09.95 | 74.00 | 74.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.0

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The Trib Index Prices as at 3 00 P.M. New York tame.				
Jan. 1, 1992 = 100	Lavel	Change	% change	year to date % change
World Index	196.22	+ 1.08	+ 0.55	+ 14.01
Regional Indexes				
Asia/Pacific	89.06	<b> 0.2</b> 1	<b>— 0.24</b>	<b>— 7.30</b>
Europe	236.27	+ 1.09	+ 0.46	+ 22.39
N. America	244.88	+ 2.53	+ 1.04	+ 13.38
S. America	145.97	<b>— 0.85</b>	— 0.58	<b>— 4.39</b>
Industrial Indexes				
Capital goods	248.82	+ 3.01	+ 1.22	+ 20.45
Consumer goods	228.44	+ 1.48	+ 0.65	+ 8.92
Energy	217.26	<b>—</b> 0.26	0.12	+ 11.44
Finance	143.76	+ 0.84	+ 0.59	+ 16.92
Miscellaneous	169.32	— 0.01	— 0.01	+ 12.97
Raw Materials	202.36	+ 0.80	+ 0.40	+ 21.00
Service	199.63	+ 0.52	+ 0.26	+ 14.53
Utilities	173.98	0.05	<b>— 0.03</b>	+ 4.26
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Friday's 4 P.M. Close The 2,600 most traded stacks of the day. ide prices not reflecting late trades elsewhere. The Associated Press.

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#### ASIA/PACIFIC

## 6 Japanese Credit Unions to Close

By Sandra Sugawara
Washington Post Senice

TOKYO - Six ailing credit unions in Japan announced Friday that they would shut their doors, the first of what analysts expect will be a series of closures of small institutions as authorities move to

clean up the nation's financial system. The savings accounts and healthy loans of the credit unions will be handed over to banks or healthier credit unions, the Finance Ministry said.

"I would not be surprised to see a lot more of this, this year and next, because the Ministry of Finance is fairly committed to cleaning up the banking system," said J. Brian Waterhouse, a Tokyo-based analyst with HSBC Se-

curities. He added that the closure of additional small institutions would not necessarily be a symptom of a collapsing banking system, but rather a step toward needed consolidation.

For years, Japanese authorities have ignored calls that they close down weak banks and financial institutions. But after three major bankruptcies last November rocked Japan's financial system, Finance Ministry and central bank officials privately began indicating that they would seek an orderly closure of weak institutions.

In recent weeks, Japanese authorities have said they now had the funds to do that, because of a \$227 billion bank bailout measure approved earlier this year by Parliament. The funds are in-

tended to be used to inject capital into banks, especially those taking over failed institutions, and to beef up the banking deposit-insurance system, which guarantees most deposits at institutions that are closed down.

There are 349 credit unions in Japan, most quite small. They were designed to serve small companies and local residences of an area. Phil Jones, an analyst with Thomson Bank Watch, said that many credit unions lost out when banks began expanding their business to go after more individual customers and

Nara Credit Union will be closed, and its healthy operations will be transferred to Nanto Bank, the second largest regional bank in the Osaka area.

Sagamihara Credit Union will hand over its healthy operations to Yachiyo Bank, Kanagawa Shoko Credit Union to Kawasaki Shinkin Bank and Shonan Credit Union to Atsugi Credit Union. The three failed credit unions had a total of \$435 million in bad loans, according to Kyodo. Although all three are from the same region, south of Tokyo, the closures are not expected to have any impact on the local economy because of their small size and because their operations will be transferred to other institutions, said analysts. Two credit unions in western Japan - Yamaguchi Shogin and Shimane Shogin — will transfer their operations to Hiroshima Shogin.

#### Very briefly:

 PT Garuda Indonesia plans to return six McDonnell Douglas MD-11 planes it leased and sell five Airbus 300-B4s to cut costs as passenger traffic plummets. The moves will eliminate about 20 percent of the national airline's fleet

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• The Securities Commission of Malaysia suspended the trading licenses of two stock brokerages, MBf Northern Securities and Labuan Securities. The brokerages were the targets of trading restrictions earlier this year because they could not meet minimum capital requirements. If they fail to comply with requirements by July 11, their licenses will be revoked.

 Malaysia saw the opening of a huge shopping mall, Suria KLCC, at the foot of the Petronas towers, the world's tallest buildings, despite the country's economic slump. The mall has 90,000 square meters (1 million square feet) of floor space, 80 percent of which already has been leased.

 Sumitomo Corp. has cut its forecast for net profit for the year ended March 31 by 27 percent, to 22 billion yen (\$165.1 million) because of losses on its stock portfolio and provisions for settling copper-trading lawsuits. Sumitomo said it had set aside 19.8 billion yen to pay claims on lawsuits filed in connection with \$2.6 billion in copper trading losses.

• Sanwa Bank Ltd. sold off tens of billions of yen in stockholdings during the past business year as part of a push to trim away unprofitable business and increase return on equity. The bank declined to provide precise figures.

• Intel Corp.'s Asian earnings have been underpinned by strong personal computer sales in China, which have helped offset the effects of a slowdown in the rest of the region, James Jarett, a senior executive, said. He said the Chinese market for PCs is projected to grow by as much as 30 percent this year. Andy Grove, Intel's chairman, said he was optimistic about the region in the long term but cautious in the medium term.

• Mizuno Corp., a sporting-goods maker that sponsors the golf pro Nick Faldo, posted a loss of 291 million yen for the six months ended March 31, compared with a profit of 860 falling peso slashed demand.



million yen a year earlier as sales dropped 3.4 percent, to 86.75 billion ven. Analysts said the company was hit by slack consumer spending.

• Philippine car sales fell 51 percent in April, to 3,075 vehicles, as the economy slowed and high interest rates and the Bloomberg, AFX, Reuters

#### Daewoo Planning \$7 Billion Restructuring

SEOUL - South Korea's thirdlargest business group, Daewoo Group, said Friday that it would reduce its 37 subsidiaries to 20 and raise \$7 billion in foreign funds by 2000 for restructuring.

Following four other big South Korean conglomerates, Daewoo unveiled its restructuring plan, vowing to concentrate on automobile, electronics, heavy industry and telecommunica-

It also said it would reduce the debtequity ratio of its manufacturing sector from 413.8 percent at the end of 1997 to 183.8 percent by the end of this year through selloffs, including its most prized assets.

Separately, Credit Suisse First Boston confirmed that it is considering whether to help Dong-Ah Group, South Korea's 10th-largest industrial group, raise \$500 million and avoid bank-(AFP, Bloomherg)

#### An Economists' Spat in China

Compiled by Our Stuff From Disputches

BELIING -- An economist with the People's Bank of China has denied writing a biting paper on China's economic prospects that was delivered in his name at a conference in Australia, a central bank spokesman said Friday.

The paper, which was delivered at a conference at Australian National University this week, was attributed to Yi Gang, chief economist of the People's Bank of China.

It warned of a grave impact from the Asian financial crisis that would put pressure on China to devalue its currency this year. But the central bank spokesman said Mr. Yi had denied

writing the paper. An Australian academic who had been listed as co-author of the paper said Friday that he had written it himself. "The views are mine alone," said Song Li-gang of Australian National University.

Mr. Song said he had incorporated some of the central bank economist's research in compiling the paper. (AFP, Reuters)

aging director, Michel Camfor improving the political lehas been criticized in the U.S. Congress as a remote and technocratic bureaucracy, and the Group of Seven itself.

In a speech here, Mr. Camdessus said the fund's concouncil with decision-making powers, a move that would enhance the IMF role played the G-7 and Russia to meet every other year with 16 other countries that hold seats on the executive boards of the

IMF and World Bank. deliberately Ministers \* played down expectations for Friday, to 132.83 in late New the current meeting, if only to ensure that President Bill Clinton, Prime Minister Tony Blair and other heads of govemment will have some rebults to trumpet when they gather for their annual summit meeting in Birmingham, England, next weekend.

At Mr. Blair's initiative, the leaders are meeting separately from their senior ministers for the first time this they were begin in the 1970s. Separately, Mr. Rubin moderated his recent criticism of Japan's economic ment policy.

works projects approved by the government last month.

But Mr. Rubin added that effectively," and he renewed U.S. calls for Tokyo to accelerate banking reforms and by politicians. He also urged the deregulation of product markets.

Mr. Matsunaga said Japan would take steps to strengthen the yen, and the comments helped push the dollar down by half a yen on

But many currency analysts remained skeptical toward the yen, given disap-pointment with past Japanese stimulus packages, and given the drop in the American unemployment rate to 4.3 per-cent Friday, which fueled speculation about a rise in U.S. interest rates that could

join the meeting Saturday for discussions about employ-

### G-7: Optimism Voiced on Asia

#### Continued from Page 9

policies in a meeting with Finance Minister Hikaru Matsunaga. He said he shared Jadessus, floated two proposals pan's concern that the weakness of the yen could gitimacy of the fund, which widen Japan's trade surplus with the United States, and he welcomed as important the package of tax cuts and public

sultative interim committee Japan needed to carry out the should be transformed into a fiscal package "quickly and

York trading.

support the dollar. The Group of Seven inyear in an attempt to restore cludes the United States, Jasome of the informal atmo-sphere of the meetings when France, Italy and Canada. Ministers from Russia will

#### **UNIONS:** German Connection

#### Continued from Page 9

situation for everybody "if certain things happened regarding the UAW and the new corporation."

Daimler is not an unknown quantity to the UAW. The union represents workers at Freightliner, heavy-duty truck plant in Mount Holly, North Carolina,

much further. The two groups have worked closely together since the end of World War II. Last February, for example, the UAW sponsored a Washington seminar with top leaders of both unions to explore the U.S. economic model and how it might be applied to the German economic system.

We have personal relationships that are very well established." Mr. Süllman said. "As you look out ahead, you do not have a desire to cut costs and lay off workers. We're not looking in the near term at workers being pitted

ficial predicted the union suit said.

would prosper. "It's not like we haven't been through some mergers before," said. "You've got cultural questions when you're dealing between Michigan and Wisconsin."

■ Shareholders File Suit Chrysler Corp. sharehold-

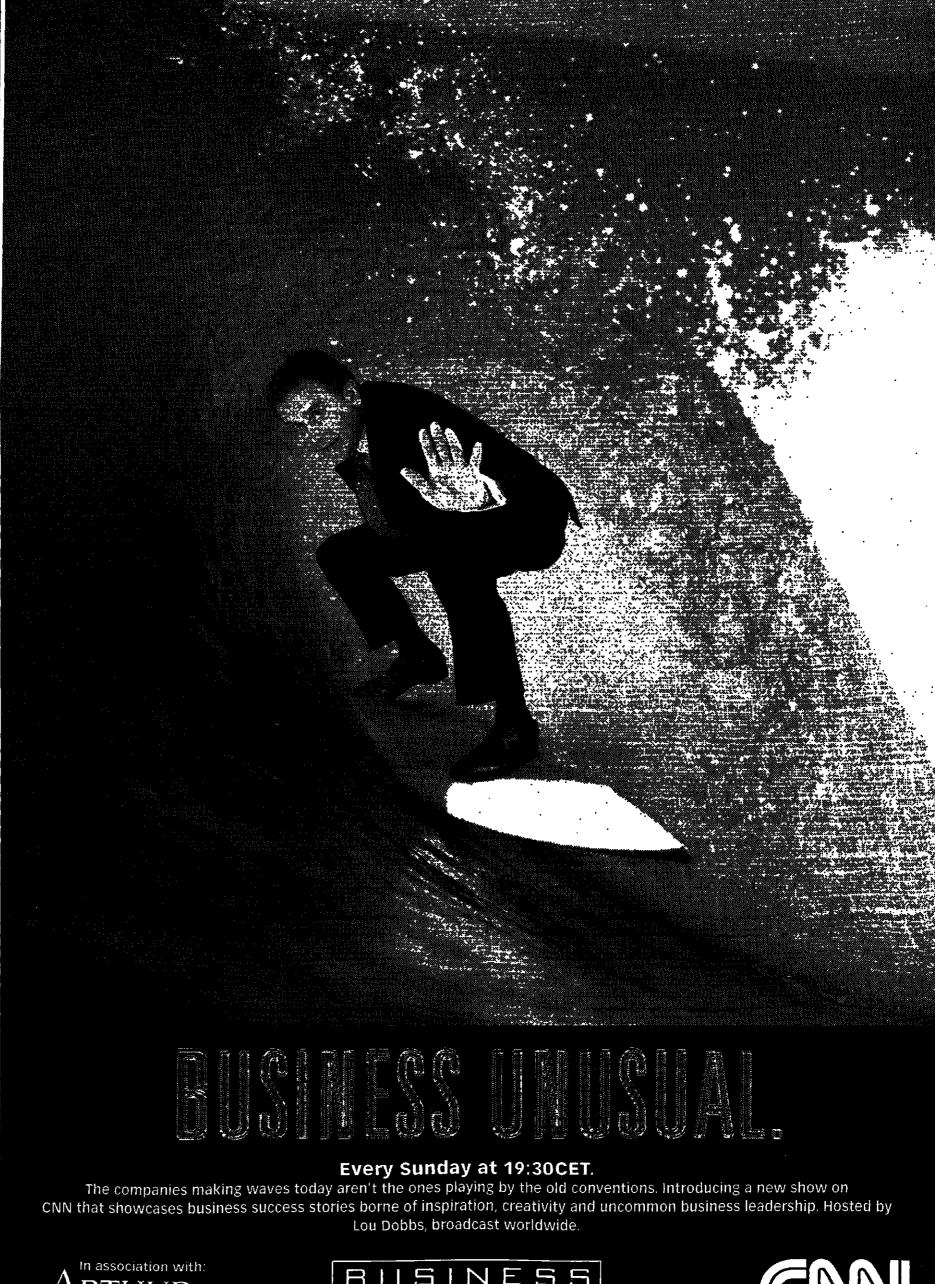
ers on Friday sued to block Daimler-Benz AG's acquisi-tion of the U.S.'s third-largest cratton of Machinists represents manufacturing workers at the company's headquarters in Portland, Oregon.

But the UAW's relationship with IG Metall goes hash

Maryland Linotype Composition Co., both Chrysler stockholders, filed suit in Delaware Chancery Court in Wilmington, Chrysler executives did not maximize shareholders' investment because the company did not open itself up for bids before it was sold. The suit does not specify how many shares Ms. Friedman

and the company own. "Given that Daimler-Chrysler will be a German entity, Chrysler shareholders are effectively surrendering the right under law to a proper process designed to obtain the one against the outer.

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### **Staying Put** To Go Far in Travel Sector

E-mail address: moneyrep@iht.com

As Takeovers Flourish, Niches Provide Clues To Deals in the Making

By Aline Sullivan

POTTING the next takeover target in the travel and transport industry has more to do with timing and strategy than with luck. The secret is to home in on companies that are exploiting a niche and have the management discipline to stick to it, analysts and fund managers said. Buy the shares, then sit back and wait.

Anyone looking for clues could do worse than follow the moves of Budget Group Inc., owner of Budget Rent a Car, the world's third-largest car and truck rental company. Budget Group recently took over the Arizona-based Cruise America Inc. in a deal worth \$138 million in stock and assumed debt. Analysts were generally bullish about the deal. predicting that Budget was well placed to continue expanding.

Also attrictive to many analysts is the German slipping group Hapag-Lloyd AG, which was itself acquired last year by Preussag AG and has been expanding since. It announced last week that it will spen 3 million Deutsche marks (\$1.7 million) over the next five years on its cor tourism and container shipping busilesses. Plans include expanding its charter airline and travel agency businessis — it plans to acquire a majority state in the German tour operator Touristil Union International - and investing in freight forwarding.

The arline industry holds a perverse attraction for many speculative investors, probably because of the great sums in olved in making jets fly.

Kevil Murphy, airline analyst at Morgan Stalley & Co. in New York, said he though the industry was approaching 'the fial leg' of consolidation.

"The process will probably take another aree years to play out and will be of baefit to everyone, particularly shareolders in some of the acquired comminies," he said.

M Murphy identified Alaska Air Grow, the parent company of Alaska Airlies Inc. and Horizon Air Industries Inc. as the most appealing of the smal-

ler US. carriers. 'f is a great company, which could mal it on its own but is also well worth takig over, particularly by Northwest-Connental," he said. Other potential takpver targets include Trans World Airnes Inc., Midway Airlines Corp., Miwest Express Holdings Inc. and Artrica West Holdings Corp., he said.

ome of the British charter companies als are attractive takeover candidates, sal Mark Shields, vice president in the aution practice at Mercer Management Casulting in Washington, D.C. British Midland has smart manage-

nut and a disciplined strategy," "But it still is a small carrier and dild be a takeover target someday. He also identified Britannia Airways. bnarch and Ireland's Ryan Air as pontial acquisitions.

But Stephen Klein, transport analyst Standard & Poor's Corp. in New ork, cautioned that buying shares in nall airlines in anticipation of a keover bid could prove disappointing. The big airlines wouldn't stand a nance of swallowing up the little ones in day's regulatory environment," he said. They are better off marketing themselves nd their partners as seamless entities."

Hans Plickert, a consultant at Greenvich Aviation Advisors in Connecticut, agreed and added that labor considerations would make significant airline mergers unlikely in the current climate.

Continued on Page 17

## High (Tech) Stakes: Buying What the Big Guys Buy

By Conrad de Aenlle

FA SMALL high-technology company is good enough for Microsoft Corp., Intel Corp. or one of the other giants of the industry to invest in, it should be good enough for you, right? It depends on which company is buying and with what intentions.

The technology sector comprises a number of high-growth industries, and the acquisition of stakes in smaller companies fuels that growth, helping to develop new and better products and expand the marketplace in which the large companies do business.

Intel and Microsoft are among the largest private-equity investors in technology today," said Jim Davidson, managing director of technology investment banking at Hambrecht & Quist in San Francisco. "They have huge franchises that are central to what's happening in the personal-computer industry, broadly defined.

"They have the same pressure as anyone else to grow their businesses," he added. "What they've been very aggressive about is finding complementary technology to invest in to enhance existing franchises.'

Intel, the leading producer of so-phisticated varieties of semiconductor chips, shops around for companies that make software which requires a big wad of processing power — meaning more Intel chips — such as graphics and communications programs, Mr. Davidson said. Microsoft, likewise, invests in firms that produce software applications which can be tacked onto the Windows operating system, Mi-crosoft's core product, and thus make it more marketable.

Investment tends to be in the United States, the hub of the world's high-tech industries. Increasingly, though, Intel is investing in Europe, where share valuations have not been as excessive, at least until the last few months, and there is less venture-capital money chasing the next hot technology firm.

Investor response typically is favor-able when one of the industry leaders buys into a small company. The rationale, Mr. Davidson said, is that "these are smart companies, their tech-



Microsoft's stakes:

Apple Computer Inc-CNET Inc.

Santa Cruz Operation Inc.

nical acumen is highly respected.

When they invest in somebody, the immediate reaction is that these guys have discovered something very valuable and typically undervalued," he continued. "They, with their market presence, can help make someone more successful in a shorter time than they could independently.

That thinking can be mistaken, especially when the buyer is Microsoft, said Liz Buyer, a technology analyst at the investment bank Deutsche Morgan Grenfell.

If they really like the technology, they buy the entire company," she said. "If they're interested and wary, they take a stake. It helps them monitor development.

Microsoft has acquired a reputation for learning about a partner's business and then competing against it. So while "it used to be a plus to be able to tell other investors that Microsoft has a position, now the reaction is mixed,"

Ms. Buyer said. "Some are comforted,

others on edge."
Microsoft is thought to have entered into one peculiar alliance with the intention of propping up a rival. Shares in Apple Computer Inc. shot up last August on the announcement that Microsoft would invest \$150 million in the flagging maker of personal computers whose Macintosh operating system competes with Windows. Some analysts saw the deal as an attempt by Microsoft to keep U.S. government trustbusters at bay. The philosophy seemed to be: If you can beat 'em, join 'em.

Apple cannot seem to beat anybod these days. A recent issue of DEMO-Letter, a newsletter about the software industry, suggested that Apple devote resources to companies that might produce application software for Macintosh systems. This is imperative, the letter argued, because if Apple does not do this, no one else will.

'No venture capitalist that I can find is funding Mac-focused software ventures, leaving Apple to act as the venture capitalist, carefully selecting companies that will leverage the Mac and Apple into well-targeted mar-kets," it said.

While Intel's motives generally are regarded as similar to Apple's — but driven less by desperation — and more benign than Microsoft's, Mr. Davidson said that the world's leading chipmaker is not always innocent. He cited Intel's 1992 purchase of a 20 percent stake in VLSI Technology Inc., which makes chip sets, a small collection of chips that control microprocessor memor-

> puter systems. Chip sets are "necessary but not highly valued," Mr. Davidson said. "Intel invested to help VLSI expand its chip-set

ies and other key personal-com-

business, then Intel got into the business." VLSI's stock did well soon after Intel's investment, then fell after its larger partner usurped its niche.

A more felicitous result occurred after Intel bought Chips & Technologies Inc., a maker of graphics chips, in February. "That worked out great for shareholders." Mr. Davidson said. Intel's offer of \$17.50 a share was a 25 percent premium over Chips & Tech-



Intel's investments:

VLSI Technology inc.

Chips & Technologies Inc. Wholly owned

nologies' market price at the time. 'As a general rule, what people in

the investment business think is that Microsoft and Intel are the most wonderful partners you can have and the most dangerous partners you can have," Mr. Davidson said. "At some point do they acquire the core competencies to compete? Technology is a unique animal.

So are the entreprenerds who start tech companies. For them, the reasons to sell out can be more compelling than the reasons for buying on the coattails of a larger company that takes a stra-

'A lot of small companies have one or two contracts and can't get any more because people are afraid they won't have enough capacity, said Carl Wilk, who manages the Munder Micro-Cap mutual fund.

Having a large partner eliminates much of the concern. A deep-pocketed investor can also provide resources for corporate expansion that would oth-

erwise be hard to come by.

A third reason, reflecting the mercurial nature of high technology, is that when you get a small guy starting a shop, he's trying to create technology

snop, he's rying to create recrinology so he can sell out and make a quick buck," Mr. Wilk said.

"Unless it's really something new, the big boys are going to do it," he added.

Cisco Systems Inc., for instance, "buys the technology, then cashes out management," he said. "They take their money and go on vacation or else start over."

start over. If investing in a company with a large partner is a risky proposition, finding the next company to attract the interest of an industry leader is no more

'The only way I've been successful on acquisitions is to make sure I had a player with dominant technology in a new area," Mr. Wilk said. Referring to prospective buyers such as Microsoft, Cisco and 3Com Corp., he added, "It costs them a lot less to buy than to have their programmers sit there and try to

One area where such technology is to be found, he said, is cable television, which "at least in the U.S. and somewhat internationally is starting to explode."

'There's been a new wave of capital-spending as not only cable companies but other kinds want to build out in the cable bandwidth," Mr. Wilk said.

Another industry in which small companies could be targeted, he said, is wireless communications, especially in Europe, where deregulation is ac-celerating. He said that the easiest way for companies to expand in telecommunications was to establish wireless networks.

"Lucent and Ericsson may start buying wireless companies to grow business faster," he added, referring to Lucent Technologies Inc. and LM Ericsson AB.

Ms. Buyer said American Internet stocks could attract large partners, as

"It's unclear yet whether the big media companies are going to buy or build," she said. "But if they take a stake, it begs the question: Why are they not buying the whole thing?

## Coke Investors Seeking More Fizz Find a Message in the Bottle



By Ann Brocklehurst

NVESTMENT analysts love softdrink stocks because they believe the world has an almost unquenchable thirst for fizzy soda. Just about the only thing they find difficult to swal-low about Coca-Cola Co., the undisputed global soft-drink leader, is its current price-to-earnings ratio of 48.

The high multiple has caused the analysts to switch from the Real Thing to the Next Best Thing: bottlers. Listed on stock markets around the world and often traded in American

depositary receipts on the New York stock exchange. Coke's bottlers provide regional plays on soft drinks.

By far the biggest and best known is Coca-Cola Enterprises Inc., in which Coca-Cola holds a 44 percent stake. Its shares more than doubled in value in 1997, to \$33.5625 on Dec. 31 from \$15.875 on Jan. 2, as it rapidly expanded the territory it covers in the United States and abroad.

Last month, Coca-Cola Enterprises announced plans to buy Coke South-west, the fifth-largest U.S. Coke bottler, for \$1.1 billion. CCE shares traded late Friday at \$36.60.

Coca-Cola Enterprises' spectacular success has helped to pique interest in other so-called anchor bottling businesses, including Coca-Cola Beverages PLC, a newly created company that is

Stock Exchange in June. Coca-Cola Beverages will take over control of the East European and Central European bottling operations from Coca-Cola Amatil Ltd., which is based in Sydney and will now operate exclusively in the Asia-Pacific region.

Investors who want to play Europe's emerging markets will no longer be exposed to the Asian markets. The Asian collapse last year was largely responsible for the drop in Amatil's share price to 12.20 Australian dollars late Friday (\$7.70), down from 17.20 dollars at the end of last June.

The creation of Coca-Cola Beverages, in which the Atlanta-based parent will hold about a 50 percent stake, is the latest move in Coke's decade-long consolidation of its bottlers.

By selling their concentrates and beverage bases to bottlers who produce and distribute the drinks, Coke - and, to a lesser extent, Pepsico Inc. - minimized their capital investment in land, buildings, machinery, equipment, trucks, bottles and cases. Typically, the parents retain a large minority stake in the bottlers and provide them with less costly services such as management and marketing advice and assistance in quality control.

The products that the Coke affiliates sell differ slightly from market to market. In some regions the companies even have agreements to distribute products that arguably are competitors of Cocawaters and Nestea iced tea. Caroline Levy, an analyst with Sch-

roder & Co. in New York and a Coke booster, says the policy of creating anchor bottlers has been a win-win situation for owners of the affiliates' stocks. "If the companies aren't top-notch, they get taken over," she said, citing Coca-Cola Beverages Ltd. of Canada, which Coca-Cola Enterprises acquired in September 1997. "So the shareholders-win," she said. "And if the bottlers are good, they grow." But in a recent CIBC Oppenheimer

report initiating coverage of the anchor bottling businesses of Coca-Cola and Pensico, an analyst, Ray Burry, wrote that, with the exception of Coca-Cola Enterprises, most of the bottlers have reported lackluster results to date

Economies of scale have not been adequate; capital costs associated with the purchase of new territories, infrastructure building and product image creation have limited performance," he

'However, many of those factors formerly limiting individual company results, and therefore, stock prices, may either disappear or reverse in the near term," he added. He now concludes that with the nec-

essary capital invested, lessons learned from past mistakes and regional bottlers finally poised to take advantage of economies of scale, "the international car-

Continued on Page 17

## Reaping the Profits of Expert Error in the Realm of the Contrarian King

2,000 top money managers gathered for the Institutional Investors Conference in New York. They were asked what stock they thought would be the best performer for the year ahead. The consensus choice was National Student Marketing Corp., a high-flier that was then trading at \$140 a share. By July, it had collapsed to \$7; not much later, it was out of business. I first read this anecdote 19 years ago

in a book by David Dreman, 'Con-trarian Investment Strategy.' I was hooked. I became a ferocious convert to contrarianism, a style of investing that finds what the experts are doing and then does the opposite.

Mr. Dreman is the king of the contrarians, and over the past 20 years much research has supported his original contentions. For example, it is now undeniable that stocks with low priceto-earnings ratios - in other words, stocks that investors are shunning — do better than stocks with high P/Es. Ditto, stocks with low price-to-sales ratios, or with high dividend yields — all signs of

Mr. Dreman put his principles to

N FEBRUARY 1970, more than work managing the money of wealthy investors and pension funds. Then, 10 years ago, he started a fund that he recently sold to Kemper. It is now called Kemper-Dreman High-Return, and it has returned an annual average of 32.8 percent over the past three years and 22.8 percent over the past five compared with 31.7 percent and 23.6 percent, respectively, for the Standard & Poor's 500-stock index. That is impressive, considering that the fund is 24 percent less risky (by one measurement) than the S&P.

In the contrarian style, Mr. Dreman's portfolio is heavily weighted toward tobacco stocks (Philip Morris Cos. is his top holding and UST Inc., a maker of snuff, is second) and energy stocks (Atlantic Richfield Co. is third). His fund is also highly concentrated just 50 stocks, with more than a quarter of the assets in the first six - and has low turnover (just 12 percent annually, meaning that he holds the typical stock for eight years).

Mr. Dreman's new book, "Contrarian Investment Strategies: The Next Generation," which is about to be published, updates the tales and figures in the earlier books: but also makes an important new contribution. Mr. Dreman has come up with a novel way to analyze risk, which is the great misunderstood variable in investing. Risk, in financial terms, it is best

defined as volatility. There are at least two ways to quantify volatility - beta coefficients, which compare the stock's ups and downs to those of the market as a whole, or standard de-

With original research, Mr. Dreman has come up with some startling re-sults, which he lays out in great detail in

by buying stocks.

his book. For example, if you hold a diversified stock portfolio for 10 years, the probability is 76 percent that you will get a return that is at least half the return of the overall market - or at least 53 percent, after inflation. He

compares these results with the returns

JAMES GLASSMAN ON INVESTING

sistency against its own track record. But Mr. Dreman argues that beta and standard deviation are crude tools. "A realistic definition of risk," he writes. recognizes the potential loss of capital through inflation and taxes." Such a criterion would "tell us the probabilities that we will both maintain our purchasing power and do better than alternative investments for the period

viation, which tracks the stock's con-

for a bond or T-bill portfolio. On average, bonds produce a total return of 9 percent (again, after inflation) and T-bills, 4 percent, over five years. So the chances are better than three out of four that you will get a return over 10 years that is half the average market return. But half of the market return for stocks is still nearly six times greater

we chose." He argues that a better way bond and T-bill investments after taxes. to measure risk is not simply to look at The results are even more stunning. gyrations, but also at the chances of "Using this analysis of risk in the losing purchasing power and the chances of losing ground to bonds and

than the full market return for bonds!

money-market funds or Treasury bills investments over time," he concludes. "If you are in your thirties, for example, and have a goal of retiring at 65, you should buy blue-chip stocks because you have a 100 percent chance of both preserving and enhancing your capital, as well as outperforming bonds and T-bills." That's not all. The odds, he writes.

"are still overwhelming at 15 years and reasonably good at four or five years."

"From a risk perspective," he says,
"bonds and T-bills give you increasingly short odds after only a few years. They are not the investments you want

to build your future upon." So build your future on stocks especially on contrarian stocks. But which ones?

"Seattle Film Works," writes Rex Takasugi in his newsletter Technical Disciplines. 'The stock was certainly overvalued at its high of \$28.50, but has fallen about 72 percent in the last two years." Return on equity is "excellent," and the company has \$15 million in cash and long-term securities, he writes.

Mr. Dreman also analyzes stock, Another contrarian play is Southwest Airlines Co., the low-cost carrier, which Dow Theory Forecasts rates "a postwar period, stocks are the least risky top buy." Shares have fallen 20 percent

since mid-March, and Southwest's P/E ratio is 17 - fairly modest for a company whose profits are up about 50 percent over last year.

Timothy Vick, who edits Today's Value Investor, is fond of Humana Inc., the huge managed-care provider, "as a turnaround candidate in a rebounding health-care field." At a P/E of 24, the stock does not seem cheap, but its price/sales ratio is a mere 0.6 (below 1.0 is attractive), and earnings should be up 40 percent for the 12 months ended in July.

As for contrarian mutual funds, 1 have long been an admirer of Greenspring. It is heavily weighted toward financial stocks, including Crestar Fi-nancial Corp. and Long Beach Financial Corp., but also owns some in-teresting high-techs, including Barringer Technologies Inc., which makes sensitive security equipment that can identify explosives and which trades at a P/E of just 9. Another large holding is Griffon Corp., which makes specialty plastic films for products ranging from disposable diapers to

radar systems. So get the book, and get the stocks.

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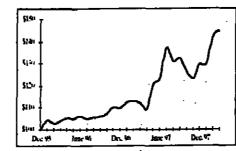
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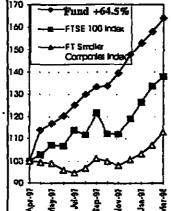
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 The managers of these funds have U.S. funds employing substantially the same policies with histories going back to 1990 (Smith & Green) and 1987 (PIMCO).

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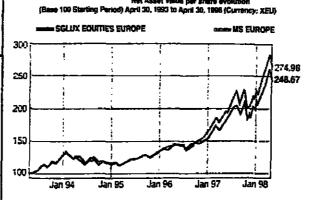
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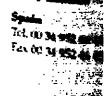


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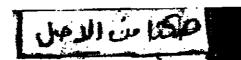
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Bad Companie

By Ann Brocklehurst

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#### THE MONEY REPORT

## \* 'Bad Companies' Rub Off on a Turnaround Artist

By Ann Brocklehurst

HE SEMI-TECH GROUP used to make a living by buying stakes in what its founder and chief executive, James Ting, called bad companies. The idea was to turn them around and improve the share prices of both the registalized businesses. prices of both the revitalized businesses

and the Semi-Tech holding group.

Although this strategy involved taking on considerable debt, it was successful — until the Mexican and Asian currency crises wreaked havoc in the company's key markets.

company's key markets.

Somewhat ironically, it is now the two publicly traded Semi-Tech companies that find themselves labeled "bad." Over the past year, most of the equities analysts who used to follow Semi-Tech (Global) Co., a multinational manufacturer and distributor of consumer electronic products based in Hong Kong, and its main shareholder, Semi-Tech Corp. of Toronto, have given up on them.

Semi-Tech stock prices have collapsed and the holding company's bonds are considered junk. The only reports now written on the Semi-Tech group are produced by a handful of bond-raters betting on whether the hold-ing company will be able to restructure itself and make the first interest payments due on its \$654 million face-value debt in 2001.

John Wegmann, a vice president at Dabney Flanigan, a Los Angeles investment boutique specializing in distressed companies, sees Semi-Tech Corp. whose bonds have a market value of \$220 million and currently yield about 35 percent, as a strong speculative buy.

He said the bonds offered in-vestors the possibility of "stra-tospheric returns, which will allow you to retire much sooner than your friends."

Al Alaimo, a vice president in the Chicago office of Ban-cAmerica Robertson Stephens, rated the bonds "unattractive" in his latest report. He said he did not expect to see an interest payment in 2001.

Semi-Tech, which began life as a small computer manufacturer called In-ternational Semi-Tech Microelectronics, shifted focus when Mr. Ting decided to use it as a vehicle to acquire other companies. He did so with minimal assets, borrowing heavily, and Semi-Tech and its various holding companies also used equity issues and private placements to obtain funds. Serni-Tech Corp.'s problems began in 1994, when its "A" shares traded at about

\$13, compared to .49 cents late Friday. Semi-Tech Global's turnaround of the Singer NV sewing-machine company, which is 50 percent owned by Semi-Tech Corp., was seen as a model for its cor-

porate strategy of acquiring underperforming companies and boosting their profits. But then the Mexican crisis hit and Singer was badly hurt. Although 40 per-

cent to 50 percent of Singer's sales came from Europe and North America, more than 90 percent of its operating income was derived from Latin America and Asia. The problem that began in Mexico spread to Brazil

and then, last year, to Asia. In 1997, Singer reported a loss of \$238 mil-lion, of which \$215 million was due to restructuring and other nonrecurring

charges.

While Singer has said it expects to be profitable in 1998, Mr. Alaimo wrote recently that he found this prediction to "optimistic in light of the company's deteriorating operating trends and its heavy interest burden.

He also thinks the Singer stock, which secures the Semi-Tech bonds and has a current market valuation of \$550 million, may, in fact, have no inherent value.

But Mr. Wegmann not only expects Singer to return to profitability this year, cent sale of certain Chinese operations.

he finds the stock underpriced. Using a method of calculation that compares its enterprise value, or the sum of debt and equity outstanding, to its sales, he comes up with a ratio of 1.25. He argues that this represents a 23 percent premium over other companies in the same business.

Semi-Tech Corp.'s other major holding is its 42 percent stake in Semi-Tech Global, whose business prospects are difficult to calculate even at the best of times, according to Blaise Ganguin, a fixed-income analyst at S & P Ratings Services in Toronto.

Among other things, Semi-Tech Global owns 66 percent of Japan's Akai Electric Co., which is listed in Tokyo and, in turn, owns 100 percent of Kong Wah Holdings and 100 percent of Semi-Tech Cloth Tech Europe Ltd. Semi-Tech Global's operating affiliates include Tomei International (Holdings) Ltd., which is owned 15.7 percent through Sansui Electric Co. and 44.1 percent through

Kong Wah, and Sansui, which is 42 percent owned through Akai.

Mr. Ganguin said Semi-Tech Global seemed to have made some progress in revitalizing the Akai brand name, which had all but disappeared from shelves. The company also has \$200 million to \$300 million in cash following the re-

#### BRIEFCASE

#### **World's New Rich Grow** Richer Than the Old Rich

Economic turmoil in Asia is having remarkably little impact on many of the region's rich. Indeed, Asians will ac-count for \$4.8 trillion, or 21 percent, of the total wealth held by individuals with investable assets of more than \$1 million by the year 2000, up from \$3.2

trillion last year.

That is one of the predictions of the second annual World Wealth Report. published by Gemini Consulting in London and Merrill Lynch International Private Banking Group. It found that the wealth of high-net-worth individuals jumped 5 percent last year to reach \$17.4 trillion and is on target to climb a further 10 percent annually to \$23.2 trillion by 2000.

Developed and emerging economies alike are heartily embracing capitalism, entrepreneurships and free trade, which in turn are creating new busi-nesses, markets and wealthy individuals," the report said. "While Europeans and North Americans still account for the lion's share of the high-net-worth individual market — 59 percent — they are slowing losing ground to the new wealth in rapidly developing Asian and Latin American economies."

Much of this new prosperity appears to be passing Africa by, however. The continent accounts for 11 percent of the world's population but will represent just 2 percent of the high-net-worth individual market at the beginning of the new century.

The report found that in many countries there exists a striking trend toward onshore and away from offshore investments, even in Europe and Latin America, where investors traditionally are conservative. Assets that they used to maintain outside their home country are being kept onshore, thanks to the efforts of their governments to establish favorable regulatory and tax environments.

"Strong local economic growth in many areas has boosted the number of wealthy onshore entrepreneurs and more and more of these high-net-worth individuals are deciding to keep their wealth at bome," the report said.

That is good news for those countries but not so great for Switzerland, Luxembourg and other offshore locations, which together still hold a third of the assets of the world's high-net-worth individuals.

The investment choices of the rich also are changing. Traditional loweryield, lower-risk investments in bank deposits and bonds are falling from favor while equities are growing in popularity. That is not surprising, considering that returns on long-dated government debt in the Group of Seven leading industrialized economies has

dropped to just 6 percent from more than 10 percent in the past eight years, while the total return from the global equity markets has shot up almost 250 percent over the same period. (IHT) THE WORLD WEALTH REPORT 1998 which was published in April, can be obtained from Germini Consulting. Telephone 44 171 340 3400.

#### For Vancouver Investors, Rained-Out Condo Deals?

Owners of leaky condominiums in Vancouver, British Columbia, expect to hear by the end of this month what the Canadian province's government thinks they should do about their soggy in-

It is estimated that at least half of the 800 large condominiums built in the past decade are unsuitable for the city's rairly climate and that the cost of repairing the leaks could exceed 1 billion Canadian dollars (\$714 million). Many of the condos were sold to Hong Kong residents seeking to invest outside the territory before the handover to China last year.

At a public hearing, condominium owners complained of roning building structures, walls and carpets. Owners who have tried to sue for repairs have had little success because many of the builders and developers dissolved their companies after each project and began anew under different names.

While the provincial government has already ruled out compensation, Premier Glen Clark has suggested that it might help owners initiate legal proceedings to recover their losses, which have topped \$150,000 for some individuals. The government also is expected to recommend the tightening up of residential construction laws.

In an editorial on the subject, the Globe & Mail newspaper of Toronto said that all parties involved in the various condominium ventures must accept a share of the blame. It said the building industry failed to police itself; public building codes were out of date and poorly enforced; lenders gave mort-gages without sufficient checking and buyers failed to demand top-quality, independent inspections.

#### The Missing Stock

Despite our best efforts, the Quarterly Scoreboard in the May 2-3 issue of The Money Report was missing the name of a recommended stock, although all of the performance data for that stock was listed. The missing stock is Telecom Italia SpA; a full listing follows.

P.S. The recommendation was spot on. Telecom Italia SpA Ticker: Ti

## The Next Best Thing Is Bottling the 'Real Thing'

Continued from Page 15

bonated soft-drink bottling business operates in one of the most favorable environments of any major industry in

The world's increasingly affluent consumers hanker after soft drinks for a variety of reasons.

In Mexido, soda is especially popular due to the poor quality of the water supply. In Indonesia, where much of the population is Muslim and does not drink alcohol, seft drinks often replace beer for recreational drinking.

In othe countries, drinking a brandname softdrink is simply an affordable

. BURRY suggested that inestors interested in regional official official services affiliates limit their official offi risk by hiving a portfolio that includes at least three bottlers.

'Thisapproach,' he said, "is crucial to the injector's effort to take advantage of the irreasingly positive anchor-bottler indutry fundamentals while, at the same tire, avoiding the potential major pitfalls f emerging-market investing. Mr. lurry has assembled a group of

seven bottlers that, he says, will together outperform the market. He has further singled out as "strong buys" a portfolio of three companies that he expects to beat the group.

His top picks are: • Panamerican Beverages Inc., a Coca-Cola bottler operating in Brazil, Colombia, Costa Rica, part of Mexico,

Nicaragua and Venezuela; • Pepsi-Gemex SA de CV, the leading bottler for Pepsico in Mexico; and Whitman Corp., Pepsico's largest independent bottler, whose territories include the U.S. Midwest and regions of

Poland and Russia. Mr. Burry has a target share price of \$43 for Panamco compared to current levels of \$36.50; \$17 for Pepsi-Gemex, compared to \$13.50 and \$21.00 for Whitman Corp., compared to \$19.28.

The four remaining companies in the CIBC Oppenheimer bottlers group are Coca-Cola Enterprises, Coca-Cola Amatil, Pepsi-Cola Puerto Rico Bottling Co. and Coca-Cola Fernsa SA, which produces and distributes soft drinks for Mexico and Argentina, All members of Mr. Burry's group are listed on the New York Stock Exchange.

Kathleen Heaney, an analyst at BT

Alex Brown, shares Mr. Burry's enthusiasm for Panamco, the largest softdrink bottler in Latin America. She believes that the acquisition of Venezuelan plants and the inclusion of that country in its territory will help Panamco boost this year's earnings by

LSO KEEN on Panameo is Laura Meizler of Salomon Smith Barney, who rates it as a "medium-risk strong buy." She noted that its presence in six countries makes it diversified and that its operating history in each of the six countries goes back at least 50 years, helping to mitigate risk.

Ms. Meizler also likes Pepsi-Gemex. which she describes as "in the midst of a turnaround." She added that its volumes had risen sharply this year, mainly as a result of its attempts to develop better relationships with its re-Although Ms. Meizler acknowledges

that Coca-Cola Femsa has had a twoyear head start, she sees more than enough room for two strong players in the growing Mexican market.

The bubbly view is certainly sup-

ported by Coke's recently published 1997 annual report, which notes that sales of Coca-Cola products have now reached more than a billion servings per day with per capita levels in the United States just over one serving a day.

But Coke's chief executive, Douglas Ivester, thinks there is still plenty of room for expansion.

On the same day that his company had its first billion-serving day, he wrote to shareholders, the world also drank some "47 billion servings of other beverages - which means we have plenty of opportunity still ahead."

Shares of the bottlers mentioned in this article are traded on the following stock exchanges:

COCA-COLA AMATIL LTD, continon shares trade on the Sydney Stock Exchange ticker: CCL). The company's American depositary receipts (CCLAY) trade on the New York Stock

COCA-COLA ENTERPRISES INC. ICCEL PANAMERICAN BEVERAGES INC. (PB), WHITMAN CORP. (WH) and PEP-SI-COLA PUERTO RICO BOTTLING CO. (PPO) continion shares trade on the New York Stock Exchange. COCA-COLA FEMSA SA American depositary (KOF) trade on the New York Stock Exchange.

PEPSI-GEMEX SA DE CV global depositary receipts (GEM) trade on the New York Stock Excitange. COCA-COLA BEVERAGES PLC common shares will be justed on the London Stock Exchange in June.

### **Trivel Sector Niches**

ments are attracting unwel- three times the \$8 billion total come ittention lately. Gov- reached last year. emmets on both sides of the Atlant have pledged to investigle consumer complains that gint alliances are encouragingising fares and declining chapetition.

In he United States, the deba was fanned last week e announcement that Unit Airlines, the country's largst carrier, and Delta Air Lin, the third-largest, will linkheir route systems and freient-flier programs. Similargreements exist between Nonwest Airlines and Continital Airlines and between Aerican Airlines and US

tyen tour operators and led in Britain, where conspers argue that a spate of rirgers and acquisitions has de the relationship between two services all too cozy, the traveler's expense. Hotels are a safer bet for eculative investors, some alysts said. In the United tates alone, hotel industry hergers and acquisitions btaled \$32.2 billion in just he first quarter, according to

Continued from Page 15 Coopers & Lybrand's Lodging Research Network.



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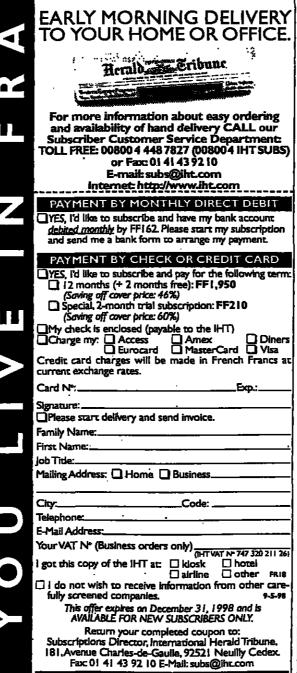
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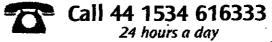
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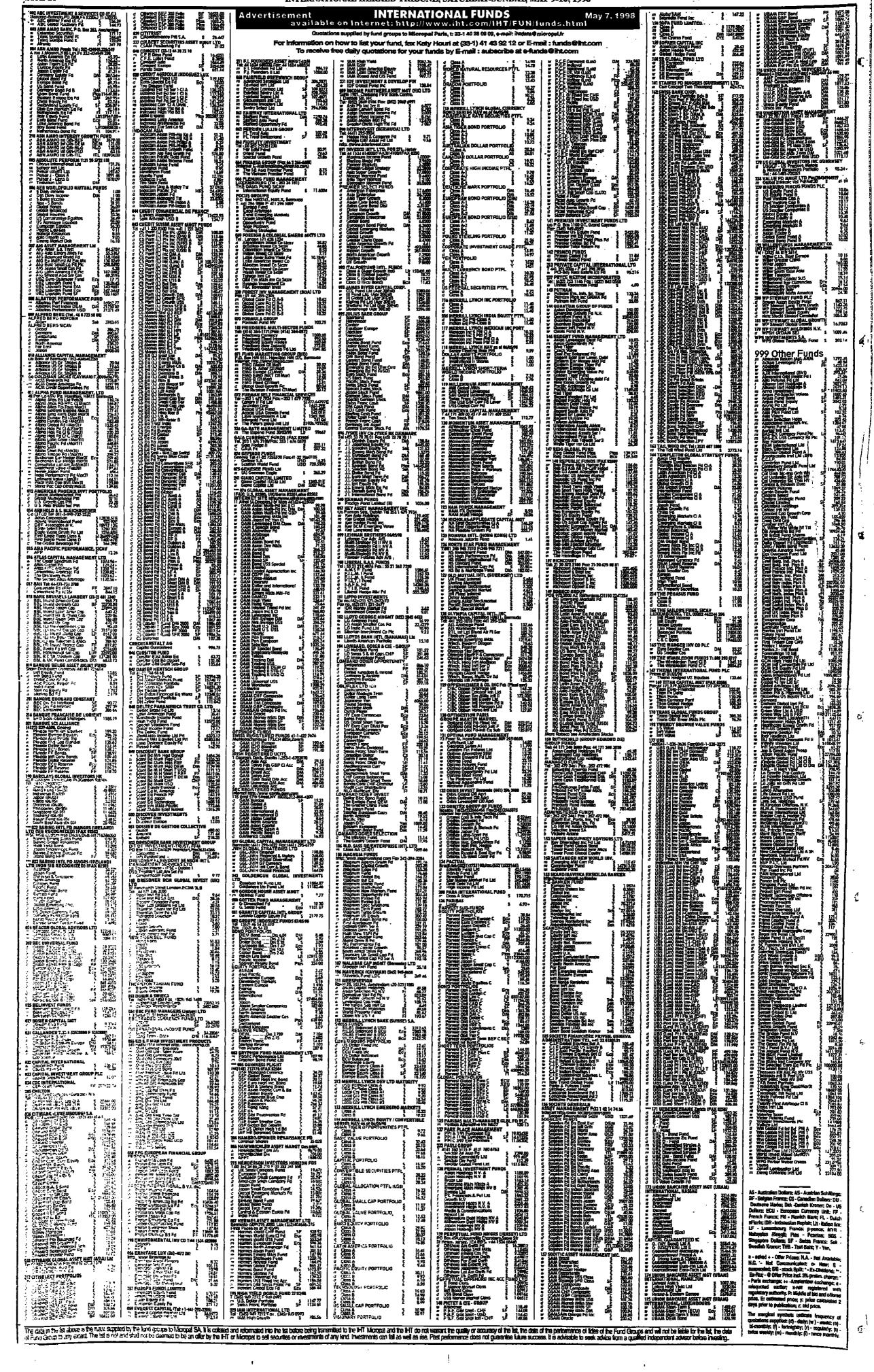
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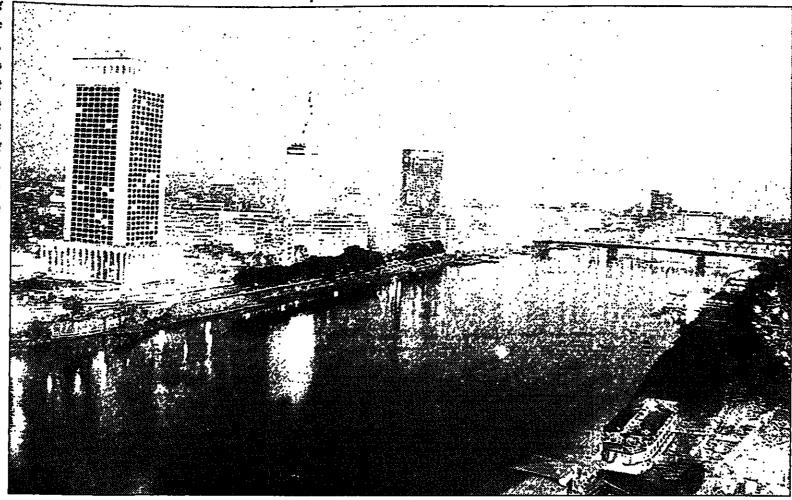


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# EGYPT: THE STABILITY DIVIDEND

Egypt's profile is taking on new light as economic indicators improve. The budget deficit has sivrunk from 24 percent of gross domestic product to 1.5 percent, a dramatic turnaround in keeping with the **new climate** of reforms, privatization



### LONG-TERM PEACE AND A PROSPEROUS ECONOMY

Egypt is reaping the dividends of two decades of peace and structural economic reforms implemented during the 1990s.

raditionally a cultural and political cornerstone in the 1996. Indeed, Parliament renewed its vote of confidence in duced debt, a stable currency and increased foreign in-increase in the future. vestment. This economic transformation, which a report by the U.S. Embassy in Cairo called a "remarkable turn- and have seen royal, socialist and military governments." around." is in contrast to what was the country's inefficient says Ibrahim Salem Mohammadain, the 77-year-old former eign tourists in Luxor last state-dominated economy.

A new vocabulary

Privatization, liberalization and deregulation have become the watchwords from Alexandria to Aswan, and a variety of bridges span the Nile, and a major multibillion-dollar land interest. laws conderning investment guarantees and incentives are on the books. The government is also facing development \$60 billion has been spent by the government on energy, of our international oil pro-

The domestic and foreign business sectors almost unanimously applaud the efforts of economics-trained Prime called Dreamland, near Cairo, undertaken by a private Minister Kamal El Ganzouri, who took office in January businessman, is perhaps symbolic of today's upbeat mood.

Mediterranean basin. Egypt now also boasts a healthy the government's economic reforms and privatization pro-omy are also being touted as ecoromy featuring steady growth, low inflation, regram last March, and there is a sense that the payoff will

> "I have been in business and politics in Egypt since 1942 the terrorist attack by Islamic minister of industry, who is now chairman of the Alexandria November had a negative ef-National Iron & Steel Company. "This is the first time I have felt that there is a sensible, long-term economic plan.

There also seems to be progress at every juncture. New dampen long-term foreign reclamation program called Toshka is under way. A total of challenges in social services, health care, education and the environment.

transportation, housing, sewage, education and other infragram, and we are enthusienvironment.

gram, and we are enthusistructure projects since 1982, and last month Egypt launched astically investing more aggressively than ever before. says NileSat, its first satellite. A \$2 billion real estate development Michael Coffield, the president of Seagull Egypt, a U.S. oil the threats posed by terrorism and to protect our citizens and

Peace and a solid econpersuasive elements for foreign investment. Although militants that killed 58 forfect on tourism and the economy, analysts say it did not

\*Egypt is the cornerstone



لفكذا من الاحل ا

President Hosni Mubarak is eading the drive to improve management and productivity.

Continued on page 21

#### INFLATION (YEAR TO JANUARY 1998): 3.8 percent TRADE DEFICIT (1997): \$9.29 billion LABOR FORCE: 17 million 1998 ESTIMATED UNEMPLOYMENT: 10 percent

**EGYPT IN FIGURES** 

AREA: 1 million square kilometers (5.5 percent populated)

Official Name: Arab Republic of Egypt

LANGUAGE: Arabic, with English widely spoken

Currency: One Egyptian pound = \$3.39

1998 ESTIMATED GDP GROWTH: 5.2 percent

1997 EQUITY MARKET RETURN: 20.9 percent

1998 ESTIMATED GDP: \$82.6 billion 1998 ESTIMATED GDP PER CAPITA: \$1,332

POPULATION: 62 million CAPITAL: Cairo

RELIGION: Islam

Source: Ministry of Economy

### SEEKING STABILITY IN THE MIDDLE EAST

Amre Moussa, Egypt's minister of foreign affairs, is one of the country's most prominent figures on the international scene. The 61-year-old graduate of Cairo University was his country's permanent representative to the United Nations before assuming his current post in 1991. He recently responded to questions pertaining to Egypt's present and future.

How do you assess Egypt's role in the world, the Mediterrunean basin. Africa and the Middle East today?

Historically, and because of our strategic location. Egypt plays an active part in the Arab. African and Mediterranean settings. Today, we are pursuing an agenda to promote stability and progress by promoting cooperation, joint investments and enhanced economic interaction. We are active in a number of international organizations and forums. including the Organization of African Unity, where we discuss the political, economic and social problems facing the African continent. We also have a proactive dialogue with our European partners and are engaged in discussions with the European Union in an effort to create a mutually beneficial partnership.

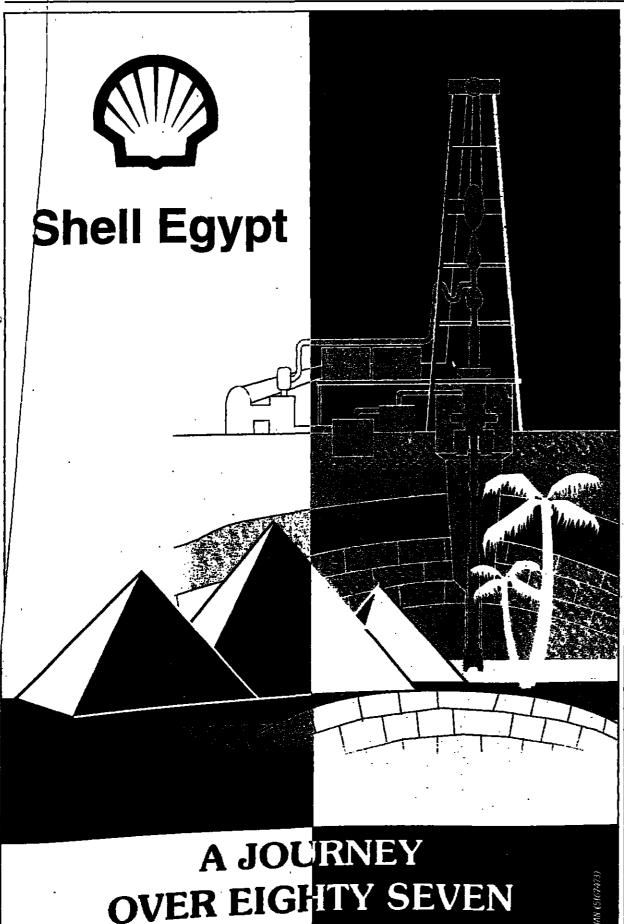
Has Egypt's recent economic prosperity and the evolving peace dividend had any impact on the country's role in foreign affairs?

Foreign policy is directed to continuing the success of Egypt's economic program. To that end, I have undertaken numerous visits throughout Africa with officials and businessmen to probe new markets and find new partners for our emerging private sector.

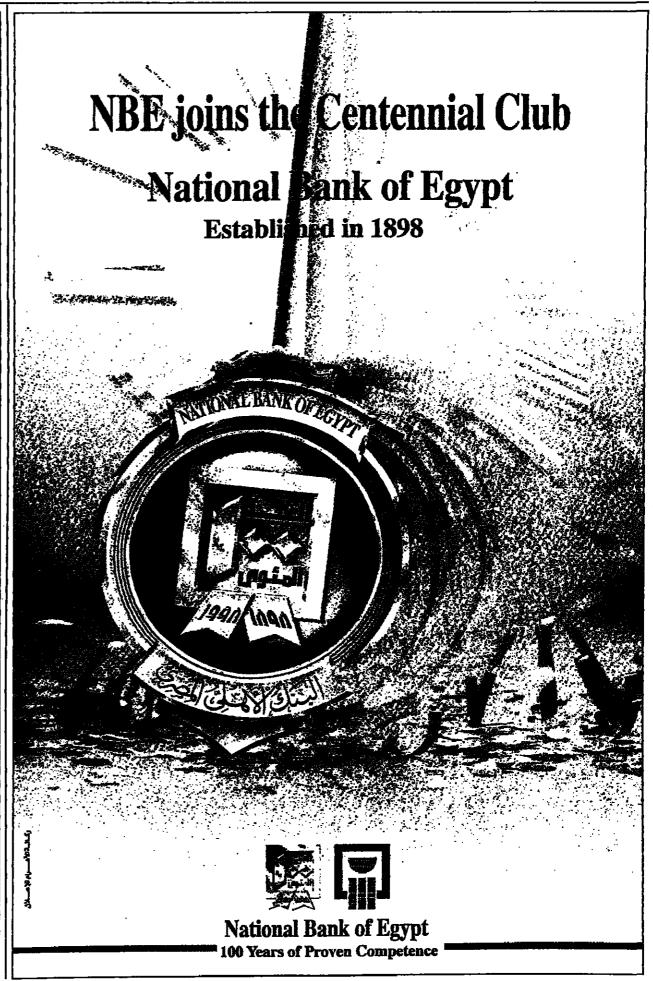
How serious is religious extremism to Egypt and its neighbors?

Terrorism and extremism have become worldwide phenomena, from Tokyo to Paris to Oklahoma, and Egypt has

Continued on page 20



**YEARS** 



#### PRIVATIZATION PROGRAM WIDENS ITS SCOPE

A book on the desk of one government official is entitled "Egypt: Privatization and Beyond," and Atef Ebeid, the minister of the public enterprise sector, is informally known as "Mr. Privatization."

Although its initial pace was somewhat conservative, privatization is now in full swing and has expanded to almost every sector of the economy - from tourism, services and heavy industry to utilities. public transportation and telecom-

Almost all key sectors, including utilities, are now being affected by the privatization process.

ies will be converted into share-issuing companies, and the government confirmed this spring that it will sell 20 percent of Telecom Egypt and one of the four public-sector banks. The only sacrosanct business areas, says Mr. Ebeid. are military factories, the petroleum authority, the Suez Canal and the supply of water to the poor. Yet. "Mr. Privatization" is still frequently criticized for not moving more quickly.

Even Egypt's govern-

Says Klaus Ebling, the managing director of mental economic authorit-Siemens Ltd. in Egypt: "The privatization of some hopelessly overstaffed and inefficient public concerns is still very slow." Indeed. some 85 heavily indebted companies in areas like textiles, metallurgy, engineering and construction are only now in the process of being restructured. Mr. Ebeid predicts that a dozen will be closed and the others offered, debt-free and without a labor surplus, to capable investors during the next few years.

Slow and steady

Meanwhile, some businesspeople who formerly criticized the pace of privatization are changing their tune. "Although I wanted faster changes, I think I might have been wrong in view of what has recently occurred in Asia." says MIBank's senior general manager, Mohamed Ozalo. 'The government's policy of gradual privatization has proved quite wise, because it did not disrupt the social and industrial fabric."

To date, 82 of 314 companies targeted for sale have been privatized, and 35 more are scheduled to be sold by the end of the year. The government, which is averaging the sale of about 10 companies each quarter, expects to reap more than \$15 billion when the program is com-

Mr. Ebeid is convinced that his successful efforts will put him out of a job. "There will not be a public economic sector in five years, and the government will simply take care of services in areas which do not attract private investors, tike education and health," he concludes. "The ministry will close, which is why I am currently located in rented offices.'

3000 B.C., Ancient Egypt

The key of life

1998 A.D., Modern Day Egypt

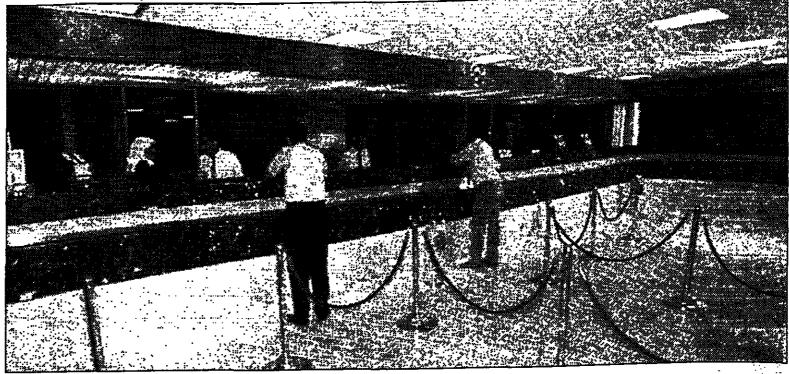
A key to a better quality of life

**GlaxoWellcome** 

"A research-based company whose people are committed to

fighting disease by bringing innovative medicines and services

to patients and health care providers throughout the world."



New services and interest-rate cuts are among the transformations being introduced in Egypt's 80 banks.

## BANKS TAKE STOCK AND HEAD FOR STOCK MARKET

altered by deregulation mea-

Deregulation has considerably enlivened the financial sector, which is increasingly moving into private hands.

he hands a visitor a handful of economic reports on the country: "The Egyptian financial and economic story should be shouted from the rooftops." The economic analyses by reputed brokerage firms, which have titles Beauty" and "Egypt: Emerging From the Past," are part of a flood of recent market research pertaining to the country.

Indeed, the stock market market. on El Sherifein Street in Cairo, with its impressive morning as traders from 120

"The Cairo exchange has settled down following the sistance and information ex-rapid rise and fall of a few change.

Alexandria, Banque Misr.
Banque du Cairo and the Na-

tian stock exchange, as EFG-Hermes. "We're now a ment seen throughout the

Flood of capital

The stock market, which had sures, which have produced a return of over 20 percent everything from interest-rate of the Arab International last year, currently has a mar- cuts to a flurry of new fiket capitalization of \$20 bil- nancial services offerings. lion. Ms. Raafat predicts that like "Egypt: The Sleeping the market capitalization will competitive and thriving," soon increase to between \$50 says Ahmed Shawki, manbillion and \$70 billion because of privatization and a Shawki & Co., the Egyptian number of family-held member of the Deloitte companies coming to the

closed economy with cartels ance market is still not sochandeliers in the entrance- and monopolies to the broad- phisticated and must be libway, is poised for activity one cst, largest and widest capital eralized before it joins the market in North Africa." ob- party. companies sit behind com-puter screens ready to buy that the country's Capital and sell some of the 624 lis- Market Authority has signed ted companies at the opening an agreement with the U.S. Securities and Exchange Commission for technical as-

The stock market embod- tional Bank of Egypt -- later ays Sherif Raafat, the years ago." says Rasha Lash- The stock market embod- tional Ban chairman of the Egyp- in. a 25-year-old trader for ies the high level of excite- this year. "Decisions by the public country's financial sector. Egypt's 80 banks have been

> "The banking sector is aging partner of Mostafa Touche Tohmatsu Interna-"We are moving from a the very conservative insur-

> > Privatization has also entered the banking arena. ior public-sector banks --which include the Bank of bank's managing director. Banque du Cairo and the Na-

banks are sometimes still influenced by state owneracknowledges Aly Dabbous, managing director. Bank, in which the Libyan government has a 28 percent stake, "Their future is the big question mark in Egyptian banking liberalization.

Banks are also taking themselves to the stock market. The private Egyptian Gulf Bank for example, will tional accounting firm. "But market 20 percent of its cap- and regarded by many as ital in a share offering early

used to open new branches, increase electronic network- company with freign exing. expand retail products. introduce a credit card busi-The government plans to ness and expand into the in-marketplace and the first on privatize one of the four ma- vestment banking sector." says Mohamed Barakat, the

NBE centennial

The National Bank of Egypt and investment banking. It feted its 100th anniversary: also has interests n private earlier this month with a equity closed county funds. three-day conference that like the Egypt Trust Fund and brought more than 1.000 the Nile Growth Fund, and is # leading members of the local involved in equity participaand international financial tion in almost 200 different community to Cairo. The event included a night at the throughout Egypt. Cairo opera and a folklore party at the monumental Cit-

The guests, including 120 foreigners representing institutions like the World Bank. Hussien, the bank's execualso received commemor- tive general manager ative coins, a book tracing the bank's history and a govern- dicts the institution will "exment-issued stamp that featured both the bank's modern Egypt and capture at east its tower building near the natural 20 percent stare of

Continued from page 19

visitors within our borders.

As an international problem.

however, the elimination of terrorism requires close co-

operation between all na-

tions, particularly those that

harbor leading persons in ex-

tremist and terrorist organi-

zations. We are currently coordinating the steps needed

What are vour key con-

Peace and stability in the

emment policies is killing the

peace process, and this can

cooperation between devel-

oping countries through

summit meeting in Cairo

keep in mind that our eco-

nomic partnership with the

United States is burgeoning

and reflects our mature and

positive cooperation with

Washington, But another im-

agreeable formula for our future economic, political and

security cooperation with

European countries, Lastly,

the Islamic world is facing

hope to correct the misper-

lead to dire consequences for

to eradicate it.

cerns for the future?

SEEKING STABILITY

were at the corner of Kasr El Nil and Sherif Streets, now the offices of the Egypt's Central Bank.

The National Bank of Egypt was created on June 25, 1898 to attract British capital and provide funds for development projects. It was also entrusted with issuing currency notes and acting as banker to the government.

While the state-owned institution, which has total assets of almost \$16 billion. is becoming venerable, it is still the country's largest bank nimble and innovative. It was the first Egyptian bank to sell The added capital will be mutual funds in the country. the first to establish a leasing pertise, the first to issue GDRs in the international the Internet.

With 10,000 employees and 343 domestic branches. the bank is invoved in a blend of commercial, retail aevelopmen

"We try to take he lead in most Egyptian projects in tourism. banking. housing. food security and traustry. says Hussien Abd: Aziz

Standard & Poor's preploit its leading postion in World Trade Center and its the growing Egyptian bankfirst headquarters. Those ing market.

### ING-TERM PEAC ND PROSPERITY

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When it comes to comes to print

designation of the second of the man of

The BMW 7 Series



Middle East. The continu-Minister of Foreign Affairs Ame ation of negative Israeli gov-

of Islam in the United States

the whole region. Economic prosperity for Egypt is anand Europe. Why does Egypt want to other key concern, and we also want to enhance closer

continue to have a role in the Middle East peace pricess? First, because we live in the Middle East. And second south-south cooperation. We because we are the largest are hosting the Group of 15 and oldest country historically involved in Middle East May 11-13 in order to pro- affairs. We have been a pimote development and co- oneer of peace for two deoperation among Third cades and achieving a com-World countries. It is vital to prehensive, just and lasting peace is one of our principal strategic objectives. Peace will not only contribute to regional stability and security but also end, once and for portant goal is to reach an This is important for develall, the Arab-Israeli conflict. and economic prosperity not only in Egypt. but also for this entire geographical sphere, it will allow the region to play its fullseveral problems, and we fledged role in the world economy as we usher in the ception about the teachings 21st century.



#### INTERNATIONAL **BANK**

Your Partner for Banking Activities in Egypt and the Arab World With Correspondents in all Continents

#### FINANCIAL SUMMARY:

US\$ 2189 million as at Total Assets / Liabilities Capital US\$ 220 million 30/6/97 Reserves US\$ 105 million Deposits US\$ 1825 million

The Government of Egypt - The Government of Libya - Abu Dhabi Investment Authority - The State of Qatar - The Sultanate of Oman - Private Arab Participants.

HEAD OFFICE: 35 Abdel Khalek Sarwat st.. Cairo, Egypt

3918794 - 3916492 92079 AIB UN

TELEX: 3916233 Fax: ARIBEGCX 001

#### Branches:

Offshore Branches

Tel: 531611 Fax: 531009 Local Branches

Alexandria

Tel: 4836775 Fax: 4833230 Tel: 223739 Fax: 225908

Tahrir Tel: 5743448 Fax: 5753228 Tel: 2902069 Fax: 4173524

Tel: 3029647 Fax: 3029651

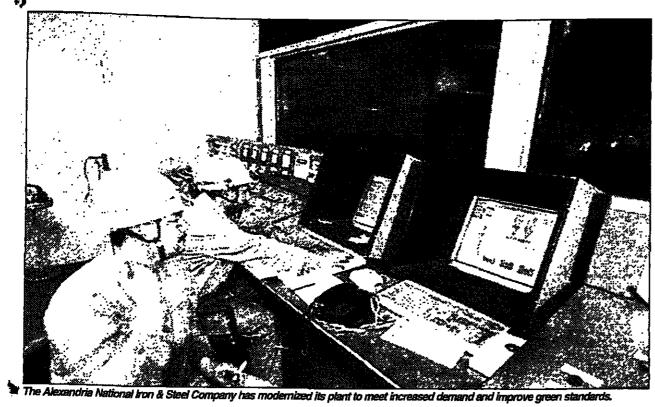
REPRESENTATIVE OFFICE:

Tripoli, Libya

Tel: 3350366

حكنا من الاحل

## EGYPT: THE STABILITY DIVIDEND



### IRON AND STEEL: INCREASED PRODUCTION

Exports and local demand for infrastructure projects are helping to hoost sales.

Continued from page 19

gypt's economic growth has fueled increased activity in a number of manufacturing sectors, including iron → and steel production. The Alexandria National Iron & Steel Company, 15 kilometers (9 miles) from Alexandria at the El Dikheila port, recently expanded its annual reinforced steel bar capacity by 40 percent, to 1.5 million tons.

STOCK MARKE

"We redesigned and modernized the entire plant to better utilize the facilities, meet increased demand and stay ahead of the competition." says the company's chairman and managing director. Ibrahim Salem Mohammadain, noting that 1998 sales should increase by 20 percent, to \$440 million. "Our next major step will be to launch a flat steel products

plant in 2000 at a cost of \$625 million," The Alexandria facility now includes a direct reduction unit to create sponge iron, an integrated continuous casting steel plant to produce 16-meter-long steel billets and two rolling mill plants to manufacture reinforced steel bars and rods. Raw materials are imported through El Dikheila. natural gas is piped in from Abu Qir and water is conveyed from the Nile.

LONG-TERM PEACE

company. Yet the country, headed by President Hosni

Mubarak, who is serving his third six-year term, still has a

bloated bureaucracy and almost 5.5 million civil servants.

Pervasive red tape is by far the most frequent complaint in the

Patey, chairman of Shell Egypt, "but there is a drive from the

comparatively high import tariffs, a thriving underground

economy, housing shortages, substantial illiteracy and de-

But the economic dividends are expected to serve as a longterm panacea to the lopsided distribution of wealth and to

"Our tremendous economic energy is enabling us to fight

poverty and illiteracy through increased employment opportunities." says Maged Abaza, general manager of busi-

ness levelopment for the International Group for Invest-

ments, one of the largest private-sector business groups in

Egypt.
While some Arab neighbors still criticize Egypt's rap-

an opvious concern, few analysts take the position that

internal or external threats will destabilize the government or

the economy. Rather. Egypt is expected to increasingly

employ its economic prowess and strategic geographical

In add tion, the military and the police force still account for 17 percent of the state's annual spending. There are

top to improve management and increase productivity."

caying arban areas.

Social dividends as well

remedy many visible social disparities.

"There is still a massive bureaucracy." admits Roger

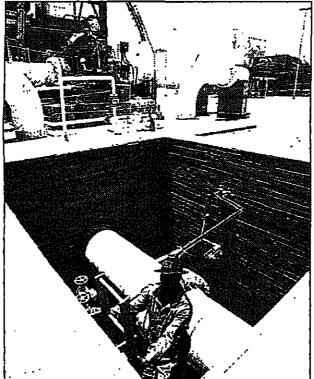
nation that invented papyrus paper and then proceeded to

AND PROSPERITY

"This is the most modern integrated iron and steel plant of its kind in the Middle East," says Mr. Mohammadain, as he discusses the new furnaces and state-of-the-art rod and bar production lines that now meet a variety of universal stan-

Exports to countries as diverse as Spain and Saudi Arabia account for 21 percent of production, while domestically. output is used in most of the nation's infrastructure projects. including the library in Alexandria and the expanding subway system in Cairo. Inaugurated in 1986 with a nominal production capacity of 745,000 tons, the Alexandria National Iron & Steel Company now represents a total investment of \$1.2 billion.

"We have obtained ISO 9002 certification and are now completing the procedures to obtain ISO certification for environmental standards." says Mr. Mohammadain, noting that \$17 million has been spent on fume extraction and monitoring systems. "Our plant is cleaner than similar installations in Germany, Japan or the United States, according to the foreign engineers who pay us a visit." •



Oil companies are among the foreign investors increasing their e in Egypt

proclement with Israel, and the militant religious element is term peace and economic prosperity could give it that opportunity." Indeed, Egypt is now negotiating a partnership with the European Union: is host to the Cairo-based Middle East North Africa Development Bank, which finances cross-

location to regain its former pre-eminent status in the Middle an Arab Common Market. "The Egyptian people are determined to turn a new Egypt wants to resume its historic role as an Arab leader chapter in their history," President Mubarak has said. "Our and the main link between the Occident and the Orient." says enhanced economy is the key to regional stability and Ropert Mantran, a noted Islamic specialist in France. "Long-security." •

### THE FINANCE MINISTER'S PERSPECTIVE

حكذا من الاجل

who became the minister Fund since getting his form. Ph.D. at the Massachu- Isn setts Institute of Technology, discussed the higher than your official economic outlook dur- figure. a serious probing an interview at the *lem?* Ministry of Economy in downtown Cairo.

complishment?

and stable economy today because our fiscal discip- gendary bureaucracy? line led to monetary disand inflation.

And the downside? stitutions addressing in-

Youssef Boutros Ghali. come disparities could did the Luxor attack have encourage foreign in-the 45-year-old former have not have been cre- on the economy? vestWe want businesses

professor ated a little sooner. As in all developing of economy last July, is countries, there is a se- will fall slightly as a reas optimistic about the rious gap between haves sult. the economy is economic future as the and have-nots. But I am strong enough to weather growth? business, diplomatic and somewhat relieved that investment community. the gap didn't widen and Mr. Boutros Ghali, who that we avoided major sohas also worked with the cial disturbances during International Monetary our period of economic re-

> Isn't the rate of unemployment, which could be I won't feel good about

unemployment until we What is Egypt's most achieve our "natural" successful economic uc- rate of 4 percent to 5 percent. which I think will We have a sustainable occur within five years. What about Egypt's le-

It would take a revocipline. This massive lution to resolve the probachievement involved a lems of our bureaucracy long, painful, sweaty pro- in a quantum leap. But we the decline in revenue. ! cess over the last seven have tried to streamline think Luxor also made the value agriculture will be years. But it was worth it red tape in areas impor- Egyptian people aware of the main engines for because it is repeatable, tant to foreign investors, the dangers of having an growth, and our aim is to We've broken out of the The public sector is being alienated or marginal increase exports by 10 vicious cycle of deficits privatized, and the civil class of society. People percent annually. To

slimmed down through at- growth must be advant- like to iron out our trade It is unfortunate that in-trition and hiring freezes. ageous for everyone. How serious an effect

tragedy. Though growth

It was a terrible human that bring us advanced technology and employ a large number of workers; What will drive future



investment in Egypt, and we are developing a coherent, detailed and systematic plan for new investors'

There are virtually n

restrictions on

service will gradually be realize that economic achieve this, we would

What are you doing to pean Union. .

Industry and highagreement with the Euro-

### Encouraging Foreign Investment

Foreign money and international companies are to be found nearly everywhere in Egypt.

Cairo, a city of 15 mila city of 4 million, tout everything from Motorola and Domino's Pizza to Furukawa rock drills and the Arabian Solar Energy and Technology Company. And it is rare to read a copy of the daily Egyptian Gazette and not find news of yet another foreign investment deal or ted \$80 million since 1991 to Egypt. contract, like the award to create a state-of-the-art man-Bechtel for a \$300 million ufacturing facility. power station or the opening of a Cairo office by companies like Amadeus or Or-

\*Foreigners have been net buyers on the stock market since January 1997 and represent about a third of trading and 10 percent of ownership." says Sherif Raafat, the chairman of the Egyptian stock exchange. "My goal now is to increase the number of foreigners among our trading companies."

Sector spread

leum companies have been of growth in the domestic operating in Egyptian part- market, while others are nerships for decades, foreign evaluating substantial investdirect investment, joint ven- ments in petroleum developtures and increased invest- ment, financial services, telement in capital markets are communications, banking important elements of and insurance, and food pro-Egypt's current economic re- cessing. The 2.400 U.S. form program. Egypt's assets companies doing business include the country's geo- with Egypt include wellgraphical location, its market known names like Amoco. of 62 million people, high Mobil, General Motors and profit margins, inexpensive IBM. and qualified labor (the Pyrborder projects; and is even reviving the long-debated idea of amids and Suez Canal are also constantly looking for frequently given as examples foreign partners. The IGI of tenacity), attractive invest- group, which has ventures ment incentives and a high level of services. "With good Informix and Marriott, is ex-

The billboards on the in any sector can still reap ships and joint ventures with venture company. toll road between huge economic rewards." says Ibrahim Ahmed Kamel. lion people, and Alexandria, the chairman of Kato Aro-

Foreign investment, led by Saudi Arabia and Kuwait, is Shell Egypt. for example, is dramatically increasing investments to exploit oil and gas potential, while Glaxo Wellcome Egypt has inves-

> investment, joint ventures and Egypt's current economic reform

A number of foreign compa-While multinational petro- nies are expanding because

Egyptian companies are with foreign companies like management, an investment ploring a variety of partner-

companies bringing knowhow and capital to Egypt. Experienced nesspeople encourage foreign investors, particularly

vice for a foreign investor is medical engineering sectors. to be very careful in selecting Ebling, the managing direc-

Success story

The German multinational, which is 150 years old this kilometers of fiber-optic year, first entered the Egyptian market when it opened a stalling 2 million telephone Cairo branch almost a hun- lines over the next five years. dred years ago. "There have produced many of the count been ups and downs during try's solar-powered bill-our first 100 years here." boards and supplied the servsays Mr. Ebling. "We were crs liquidated by the British dur- administration at the Suez ing World War I. closed Canal University. down in World War II and nationalized in the 1950s, telephones to the Sinai, and But today we are enthusiastic anticipate future projects in about Egypt, and we recently both areas," says Mr. Ebling. announced an investment of noting that the company re-\$35 million, our largest to cently completed three date, to increase equity in our power substations ahead of telecommunications joint schedule.

Telecommunications, energy and transportation proiects represent 80 percent of Siemens's activity in Egypt. but the company is also insmaller ones, to do their volved in industrial automaclimbing at a dizzying pace. homework. "My main ad- tion, information system and

> Siemens has constructed his local partner." says Klaus one-third of Egypt's installed thermal power-generating tor of Siemens Limited in capacity and acts as a local partner in joint ventures to produce licensed quality components for power systems. It has also laid 1.500 cable in the Sinai, is in-

"We brought power and

### **TEAMWORK**



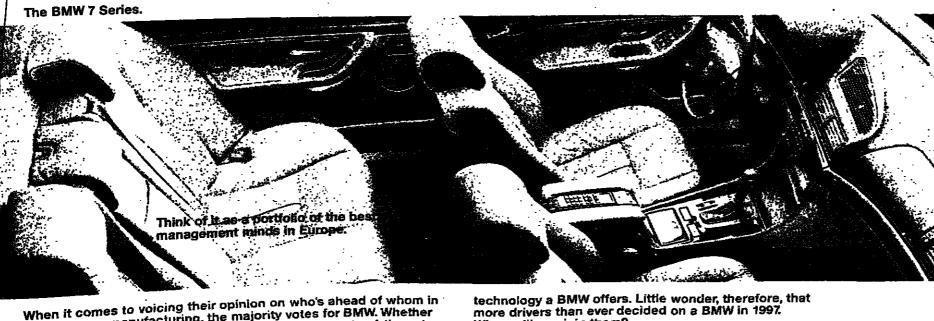
The true strength of unique talent, the true realization of expertise is best expressed when performing together in a team.

And teamwork, is of prime essence at EGB where like minded professionals work together using individual expertise and innovations as one well oiled machine.

Ensuring that you, the client reach your goal in the best and the shortest way.



**Egyptian Gulf Bank** The Shortest Way



when it comes to volcing their opinion on whos ahead of whom in exclusive car manufacturing, the majority votes for BMW. Whether it's the performance of the BMW company or the state of the art

technology a BMW offers. Little wonder, therefore, that more drivers than ever decided on a BMW in 1997. When will you join them?

GYPT: THE S

HARMACEUTICALS EXPAN

WARKET AND MANUFACTE

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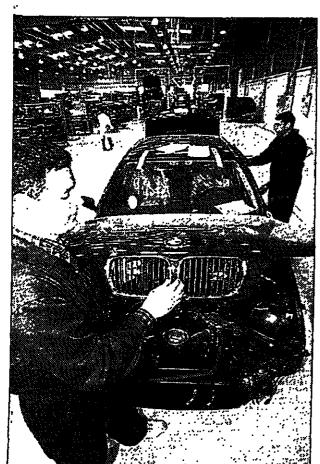
### EGYPT: THE STABILITY DIVIDEND

### New Manufacturers Join Auto Sector

Joint ventures are the main engine of growth in Egypt's automobile industry.

seen both in the large number of locally made Fiats on last year. the road and a number of manufacturing plants established at . BMW formed a collaborative partnership and licensing opened a production facility in 1985.

ufacturing models by foreign manufacturers, ranging from Chrysler and Citroen to Nissan and Peugeot. Two German



BMW, in an arrangement with a local partner, is now turning out

The strength of the automobile sector in Egypt, which is carmakers. BMW and Mercedes-Benz, became the latest growing at a rate of about 5 percent annually, can be entrants in the field when they inaugurated production lines

industrial sites like 6 October City, where General Motors agreement with the Al Fotouh Company for Vehicle Assembly. ACVA invested \$40 million in an assembly plant There are currently 2.3 million cars on Egyptian roads. A using knocked-down kits and more than 43 percent local dozen joint-venture operations are assembling and man-content to manufacture 2.000 cars a year. The BMWs, which began coming off the line last June, are being assembled in the Nissan plant in 6 October City under a unique arrangement whereby the two companies share the paint shop

> BMW provides the know-how, attends to all the planning and monitors the production process," says Operations Manager Samir El-Sherif as he tours the assembly line and points out local modifications, which include a tropical radiator. "Everything is evaluated according to European quality standards."

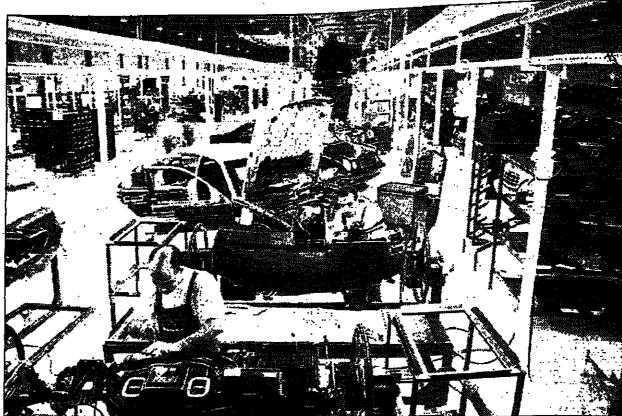
Winning both ways

Besides high quality. Egyptian consumers are guaranteed lower prices. "It costs consumers 40 percent less to purchase a car assembled locally rather than importing it and paying high tariffs," explains ACVA's national sales and marketing manager. Elwi Captan. noting that Land Rovers will be produced at the facility in mid-1999 following a further \$40 million investment.

Just down the road from BMW's operation is a \$44.3 million facility that began assembling Mercedes-Benz Eclass vehicles last November. Daimler-Benz took a 26 percent stake in a joint venture called the Egyptian German Automotive Co. with its longtime importer. It was the German company's first joint venture with direct financial participation in a passenger-car production unit in the Arab

EGA manufactured its 1.000th car in March and expects annual production to exceed 2,500 vehicles during its first full year. Mercedes-Benz provided technology, factory layout, staff training and development of local suppliers. The plant is completely integrated with the German parent company's specifications.

We have complete quality control over every aspect of the manufacturing process, and the plant has the best quality and highest labor productivity of any similar Mercedes-Benz manufacturing facility outside Germany." says Gamal Okail. general manager of EGA, who is conducting a marketing study to determine what other Mercedes models to manufacture in Egypt. "We have enthusiastically opened the doors to our customers and use the plant as a key advertising and marketing tool." .



The Mercedes-Benz assembly plant is the German company's first joint venture of its kind with a passenger-car production unit in the





Glaxo Wellcome has spent \$80 million to create a comprehensive manufacturing facility outside Cairo.

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### INDUSTRY THRIVES IN THE PRIVATE SECTOR \*

Expected to grow at about 8 percent this year, the industrial sector is creating new niches.

nies accounted for 60 percent of industrial output. 90 percent of industrial exports and 75 percent of industrial employment.

Privatization and liberalization have led to the de-

gyptian industry, until velopment of a competitive industry is evident during privatization got under industrial sector that contrib- visits to more than a dozen way during the 1990s, utes about 17 percent to expanding industrial zones, utes about 17 percent to expanding industrial zones, was predominantly state- Egypt's gross domestic like the sprawling 6 October owned. It made use of pro- product and accounts for 13 City (the development, about localization for the Arab trial developments, including world.

The new face of Egyptian

tectionist measures — in- percent of employment. 45 kilometers, or 28 miles, petition during the last five cluding quotas, price con- Many sectors — including west of Cairo, got its name in years has inspired many trols and tariff barriers — to automobiles, textiles, con- commemoration of the 1973 businesspeople. The ecosurvive. A decade ago, gov- sumer electronics, pharma- date on which Egyptian nomic and industrial situemment-controlled compa- ceuticals, cement, aluminum, armed forces crossed the ation in Egypt today enables and iron and steel — are ex- Suez Canal into the Sinai). me to do what I do best panding, while niches are be- where over 350 companies build industry in a nation ing created in a variety of now have facilities. In ad- where I understand the spehigh-tech areas, like software dition, there are new indus- cific cultural and behavioral a high technology park and science park.

nuances." Shaarawi, chairman and managing director of Glaxo Wellcome Egypt.
Adds Ibrahim Alimed Kamel, chairman of Kato Aromatics: "The privatesector is getting involved in bigger industrial projects as it gains confidence. Lato Aromatics, a holding company whose subsidiaries are manufacturing a plane in Russia, is building an \$80 million integrated manufic-

Foreign industrial investors used to a competitive marketplace often menticleother attributes of manufact

Middle East area, and this if an excellent industrial base; from a manpower perspect tive." says Klaus Ebling managing director of Siemens Ltd. in Egypt. "Egypt is politically stable and economically sound which enables us to confidently undertake long-term!

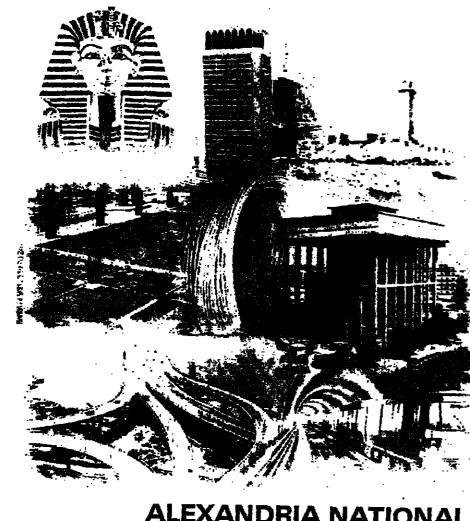
projects.

One challenge will be to expand the industrial base beyond Alexandria, Cairo and Port Said to other parts of the country. Another will be to further penetrate export markets with Egypt's improved industrial output and manufactured goods.

"We are committed to enhancing our exports both in quality and quantity." President Hosni Mubarak hasaid. "The aim is to make the phrase Made in Egypt a badge of high quality ever



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## EGYPT: THE STABILITY DIVIDEND



Development labs are creating products specifically for the

#### PHARMACEUTICALS EXPAND MARKET AND MANUFACTURING

The Egyptian pharmaceuticals market, which is estimated to be worth in excess of \$1.1 billion this year, has been growing at an average annual rate of 20 percent. Per capita yearly expenditure on drugs is now almost \$20, compared with just over \$10 in 1994. There are more than 30 manufacturing sites, and pharmaceuticals are distributed at some 16,000 pharmacies throughout the

"We have traditionally been a base for international pharmaceutical companies due to increases in real consumption because of our quickly growing population." explains Mohamed Barakat, the managing director of the Egyptian Gulf Bank, noting that multinationals in the country include Novartis. Bristol Myers Squibb, Hoechst Roussel, Glaxo Wellcome, Eli Lilly and Pfizer, "Local products were also protected by government subsidies, and there was a budding export business in other Middle Eastern countries.

Integrated local facility

The major investment during the 1990s was made by Glaxo Wellcome, which has spent \$80 million since 1991 to create a comprehensive, integrated, state-of-the-art manufacturing facility at El Salam City near the Cairo

"We decided that the only way to enter the country was to acquire a local firm and then invest for the long term, says Negad Shaarawi, chairman and managing director of Glaxo Wellcome Egypt, who has been active in the Egyptian pharmaceuticals business for 22 years. "This is a tremendous vote of confidence in the Egyptian government, labor, economy and future.

The 120 products in Glaxo Wellcome's Egyptian portfolio include well-known Actifed cough medicine and the Zantac ulcer pill. In addition, a development laboratory creates pharmaceuticals specifically for the Egyptian

The company, which has more than 1,000 employees, uses a variety of improved production and packaging methods, and is one of 500 companies in the world to be awarded a Manufacturing Resource Planning Class A certificate. The site has a number of International Standards Organization (ISO) certifications.

### POWER SECTOR UNDERSCORES NATIONWIDE DEVELOPMENT

Egypt is diversifying its energy sources as it expands their scope.

the hands of a man the status of the hands of a man the status of the managing director of folds maps and charts in his Cains anartment, he eagerly the hands of a man the status of the Egyptian for 18 years.

all of his five-year plans. ated subsidies.

folds maps and charts in his trifying passion and is es-Siemens Ltd. in Egypt, calls a Cairo apartment, he eagerly realistic visionary." Indeed, points out two new 627- competitive bidding for proj-Muhammad Maher Abaza megawatt steam turbine genhas held the position of min-erators that will increase ister of electricity and energy Egypt's total network capacity to 15,500 MW. Then his "The minister has fulfilled finger moves to the path of a marks on the pollution in of his five-year plans, 220 kilometer (135 mile) Cairo during tea, also points which is a major achieve- cable that will run south from out that he is cleaning up ment in a developing coun- Aswan and the location of try," says Mr. Ebling, noting two 225-meter-high towers five percent of our steamthat many parts of the power being creeted near the Suez powered network is gasand electricity sector are Canal to carry electricity to open to private ownership, the Smai. He points to wind introducing solar and wind

gyptian energy is in possession to vividly display housing and tourism," says Mr. Abaza, who speaks about Egyptian energy with elecpecially enthusiastic about ects based on the BOOT (build-own-operate-transfer) Mr. Abaza, whose wife re-

Egyptian energy. "Eightyfired, and we are increasingly "He has also created cost- farms on the Red Sea and the energy into the network." he covering energy tariffs and location of solar collectors in says, mentioning that solar nectivity, he is proud that the hesitate to look even further from the Democratic Republication completely eliminate desert.

S381 million United Arab into the future. "Besides getting power to trons for isolated villages. Grid — which has high tenpeople throughout the coun- with a few hundred people. A sion cables linking Egypt, around the Mediterranean try, we've taken it into the longtime backer of interna- Jordan, Syria, Iraq and Tur- basin will be linked together, these schemes because we

Solar energy is an inexpensive solution for more remote areas of the country.

حكدًا من الأصل

intercon- early next year. He does not eight years, and hydropower Middle East and Europe." •

"All of the countries north by 2025," he predicts, "Egypt is actively promoting



Crop production and yields have significantly increased through

### POLICY REFORM IMPROVES AGRICULTURE The key to agricultural growth in arid Egypt is an effective water development program.

we decades ago, the desert road the United States Agency for Inter-canals, power generation facilities and

from Cairo to Alexandria was national Development. surrounded only by sand. Today. expansive green fields devoted to farm— ive and automated than in the past, due million people into a 350,000 acre area. ing and agriculture dominate the land- to a liberalization program in the and a U.S. Embassy economic report scape, and there are remarkable de- 1980s," agrees IGEs Maged Abaza, says that "by some estimates this would velopments like Dina Farms, a 30,000 whose company has interests in the double Egypt's agricultural land and acre (12,000 hectare) agricultural oasis agricultural field. "But we must dra- GNP in 15 years. yielding a variety of crops through the matically increase the agricultural area use of well water and mechanized production methods.

20 percent in 1986 to less than 16 Most of our water development prowheat, rice, maize, cotton, clover, to- to better drainage systems. matoes, sugar cane and potatoes.

resource management." according to could exceed \$100 billion when dams, herbs and a variety of food products. •

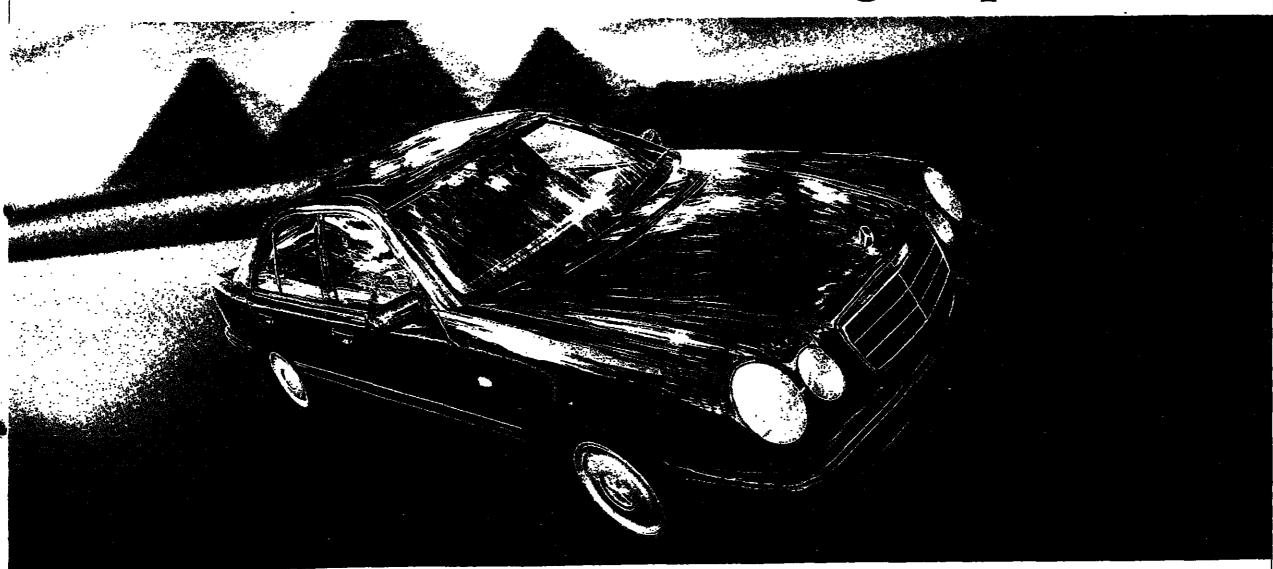
of the country to further promote self- Major opportunity sufficiency. Mahmoud Abou Zeid, Egypt's min-

Rise in food crops ister of public works and water re-While the role of agriculture in the sources, says: "We cannot think of land

water treatment plants are included. The "Agriculture is much more product- government ultimately plans to move 3

In order to succeed, government officials hope the project will attract significant foreign and domestic investment. Indeed. Toshka is by far the most Egyptian economy has declined from development without thinking of water. frequently mentioned infrastructure development project in Egypt today. "We percent today, there has been a dramatic gram depends on improved use of ex- are considering a \$30 million agriculincrease in the cultivation of crops like isting water resources, from recycling tural project in Toshka within the next two years if we can find a major U.S. There are also ambitious land re- agricultural company that can bring us There have been phenomenal yield clamation projects under way, like the the technical and management knowgains and significant increases in major 67 kilometer (42 mile) Toshka Canal how," says Ibrahim Ahmed Kamel. crop production stimulated by policy from Lake Nasser into the Western chairman of Kato Aromatics, which reform, research and improved water. Desert, The total cost of the project produces flowers, fragrances, seeds,

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technical excellence of German engineering at its best. A joint venture with Daimler Benz, EGA now produces the latest Mercedes-Benz E-Class in Egypt, matching the

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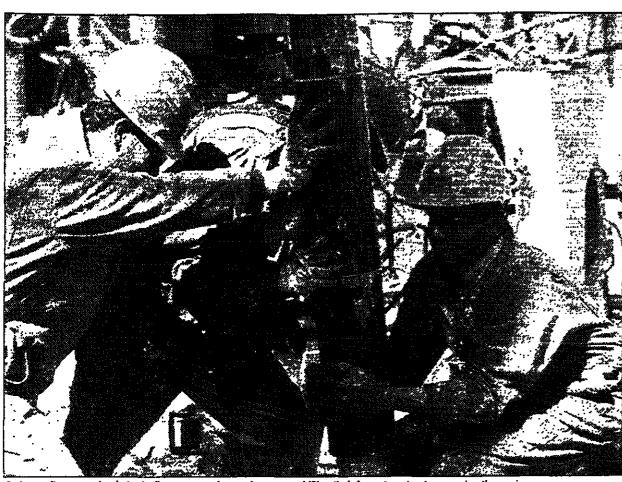
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I like Egypt's many well-known semples and i the country's not actistic and activities the

Dreaming

SIEMENS

### EGYPT: THE STABILITY DIVIDEND



As large oil reserves begin to decline, many major producers are shifting their focus to natural gas exploration.

### EXPLOITING OIL AND NATURAL GAS

Oil production is maturing in Egypt, but there are still new opportunities for independent producers.

more than two-thirds of all exports, is companies. easily the country's largest foreign investinent arena.

economy, the petroleum sector is still General Petroleum Corp. (EGPC). The cossion rates keep established multinaarrangement gets generally high marks from the oil majors.

"The EGPC has honored all of its production-sharing contracts and agreements since they were initiated in the 1970s," says Roger Patey, chairman of Shell Egypt, which established a pres- Egypt for less than two years, but has are estimated at upward of 22 trillion ence in the country in 1911 and is now acquired interests in six concessions by cubic feet: Egypt will have an exportplanning to triple its retail outlets and buying and merging with companies able surplus of gas due to substantial double its natural gas production. "The and purchasing assets. Last month, it finds in the Mediterranean, Nile Delta Egyptians have done a good job in announced it would develop a new and Western Desert.

gross domestic product and aging competition between major oil

tion, which has been in the range of tional oil companies active in exploration and exploitation. In addition, ducers to concentrate on natural gas independent oil producers are increas- exploration. Natural gas produces 85 ingly making inroads.

if and gas, which account for terms of managing resources and have commercial field in a 50-50 venture almost 10 percent of Egypt's developed concession areas by encour- with Apache Egypt in the East Beni Suef concession, a 6.8-million acre (17 million hectare) concession on both The country's maturing oil produc- sides of the Nile south of Cairo.

"The future for oil production in Despite deregulation throughout the 850,000 barrels per day (b/d), with ex- Egypt is for quick-moving companies ports at about 200,000 b.d. will decline like ours to use advanced technology governed by agreements between for-eign companies — including multina-depletion of reserves in some large spots that are unattractive to major protionals like Agip, Amoco, British Gas, Repsol and Shell — and the Egyptian 6.3 billion barrels, and improved conpresident of Seagull Egypt.

The decline curve in the major oil fields has prompted many major propercent of Egypt's thermal power, and Seagull Egypt, a Texas-based oil and automobiles running on natural gas are

## ENVIRONMENT GETS PRESSING ATTENTION

Legislation is being updated to better regulate industrial pollution and encourage green initiatives.

Environmental environment a pressing and clean up their operations. fundamental national issue. tainly has environmental problems, but the government is now determined to

overcome them." Already, 34 large-scale industrial installations have been identified as re- of the country's natural parks

Hosni sponsible for at least 60 per-Mubarak created a cent of all the pollution in the Ministry of State for Nile. Sixteen of the compa-Affairs, nies have already spent a headed by Nadia Makram total of almost \$100 million Ebeid, when he reshuffled to conform to the latest enhis cabinet last July. The vironmental laws, and others minister promptly made the are currently taking steps to

"Cement factories are still \*Our pollution is due primar- a chronic problem, but three ily to inaction and the fact plants near Cairo have spent that too little attention was \$24 million on air filters, and paid to environmental dam- new plants will be located age for over 40 years." Mrs. away from populated areas." Ebeid admits as she hands a Mrs. Ebeid notes, adding that visitor a copy of the 1994 there are loans, technical environmental laws she is support and other incentives now updating. "Egypt cer- for action-taking companies. In addition, the ministry

has introduced a Cairo Air Improvement plan to meamainly fertilizer, sugar and in automobiles. There are metallurgical companies — also plans to increase the area

Environment Minister Nadia Makram Ebeid.

give us an edge in environ- pollution saves lives." •

by 15 percent. Egypt is par-mental science," says Mrs. ticipating in a number of in- Ebeid. noting that environternational efforts involving mental standards and impact the Mediterranean, energy assessments are imperatives. projects. "I not only want the

sure vehicle emissions this efficiency and climate for all new development suntmer, and it is actively change.

suntmer, and it is actively change.

"My long-term goal is to country to acquire the best country to acqu educate young and motivated technology. I want every citmen and women who can izen to realize that reducing

### IAA CONFERENCE

Cairo is the host city for this year's meeting.

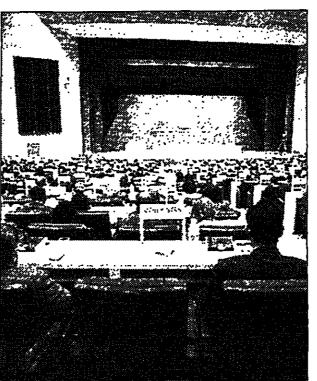
gypt has carved out a niche as a Mediterranean conference center by playing host to such disparate ✓ events as an Internet convention last March and an international automobile show in November.

"It is easy to get top speakers to come to Cairo and Egyptian resort areas because of the country's traditional tourist attractions and top international hotels." says Tarek Kamel, secretary of the Internet Society of Egypt, organizers of Cainet, the nation's third Internet conference and exhibition, which attracted speakers from 20 countries. "Conventions in Egypt always include visits to the most popular 🏶 i

This week, 1,300 participants from 95 countries will attend the 36th International Advertising Association conference, being held for the first time in the Middle East.

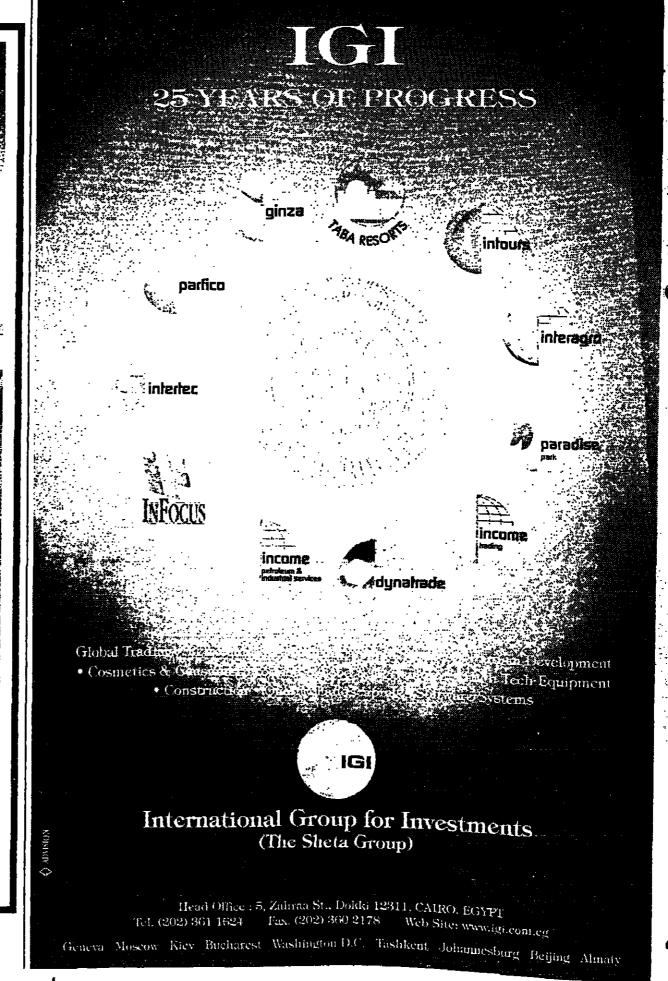
Taking place under the patronage of Egyptian President Hosni Mubarak at the International Convention Center in Cairo May 10-13, the IAA will take as its theme "Interaction - The 21st Century." Executives from companies like American Express. Compaq, Microsoft, Mobil Oil and Visa International will take part in speeches and debates about the future of marketing communications.

Egypt has been the cradle of communication since the dawn of history, and it is appropriate that we are hosting the last IAA congress of the century," says Dahlia Abdel-Fattah; the event's executive director.



The International Convention Center will be the site of the marketing communications conference.



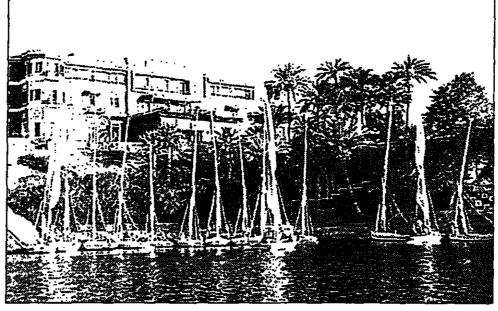


حبكنا من الإحل

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## EGYPT: THE STABILITY DIVIDEND









Pyramids, the Nile, Egypt's many well-known temples and tombs — these represent a fraction of the country's rich artistic and architectural heritage.

### TOURISM'S MONUMENTAL TASK

The challenge is to preserve Egypt's rich heritage while making it available to the world.

a unique discovery. "Seventy percent of amids, the Cairo Museum and Karnak Temple." Egyptian monuments have not yet been unsays Zahi Hawass, director of the Pyramids Victims of success in Cairo. "Egypt still has more buried magic than any other country

Earlier this year, the undisturbed tomb of an Egyptian official was found in Abu Sir and, beyond a private tour to view recent discoveries like the Tomb of Kay and a broken statue of the queen of

people, more money and more time," says 27-yeardiscoveries made about the Pyramid builders, in- as showing them off." cluding the discovery of wooden splints used to support broken bones.

historical and cultural importance." says Constantin struction of a new ring road around the site. Christofides, an art professor who was born in Alexandria and now teaches at the Institute of American architects. sculptors. astronomers, painters and idated streets in the Al Azhar area in Cairo. ●

حكذا من الملصل

Yet many Egyptian sites, from Abu-Simbel in the south to the Pyramids of Giza, have suffered from a surplus of tourists and a lack of management. A priority for Mr. Hawass and other archaeologists in the confines at the Pyramids, a visitor can be taken on Egypt today is to strike a balance between preservation and tourism.

"The Sphinx is the oldest sick man in the world. Ramses II. Ongoing excavations constantly unveil and we recently closed the Cheops Pyramid for eight unexplored tombs, shafts, causeways and inscrip- months to clean the humidity, graffiti and cracks caused by too many tourists, who cause the level of "There is so much here that we always need more humidity to rise to 95 percent," says Mr. Hawass. who obtained his Ph.D. in Egyptology from the old archaeologist Shaaban Ahmed as he shows a University of Pennsylvania. "Preservation of the visitor a new shaft at one dig. "There are also new monuments must become as important to the country

In fact, the Egyptian government will have spent \$100 million by 2003 at the Giza Pyramids alone to It doesn't take new discoveries to underline the introduce protective measures that include cleaning importance of Egypt's existing monuments. "The and sophisticated ventilation systems, a conservation country is simply of monumental and unrivaled and archaeology training program, and the con-

The government is also taking steps to maintain other antiquities throughout the country. The Min-Universities in Aix-en-Provence, France, "There is istry of Culture has just embarked on a \$72 million no question that the Egyptians were the world's first program to rehabilitate entire areas of now-dilap-

### SOLOING (OR NEARLY) ON THE NILE

Waves of tourists may come and go, but the Nile is eternal and unchanging.

yptians, since the Asian economic crisis, are reluc-ionable appellation only a year ago. But the river continues to represent the life of the nation and, as Herodotus said, "Egypt is the gift of the Nile."

The river is evoked nearly everywhere. There are Nile burgers, a Nile bowling alley and a as "Stranger in the Nile." Cruising the Nile is, of course, a must for tourists. But why would a 37-yearold woman from Indiana explore the Nile on her own?

Debra Moffitt, a business ex-

ecutive-turned-writer, came to the smell of iasmine — that bring Egypt last March despite warnings all of these monuments to life, from friends about security and the she says, noting that she hopes to lack of a planned itinerary. She return next year to visit Abu Simriver almost to herself.

the Nile Romance, a boat with sleeping quarters for 250, which she took from Aswan to Luxor on less than \$500 for accommoda-Temple. Kom Ombo. Philae

Temple and the High Dum.

temple even offered to buy me for norm this spring. • 50 million camels.

While another terrorist incident a five-day, four-night trip that cost could certainly occur, Ms. Moffitt was not overly concerned. "Any taxi driver who introduces himself tion, board and guided tours. She worries I had about security divisited well-known locales like minished when I saw the several Elephantine Island, Karnak armed guards on camels at the Pyramids," she concludes, "And after 10 days in the country. I felt The Nile has a life of its own safer as a single woman than I've - wildlife, riverside inhabitants, felt in lowa."

### Lull in Visitors, **Not Investors**

Long-term investors are not shying away from opportunities in the tourism sector.

gypt is a nationwide museum and year-round resort with many of the authories sand, culture and an upmarket infrastructure resort with many of the attributes --- sun, sea, necessary for a budding tourism industry.

But this important revenue-earning sector is still feeling the crushing blow of last November's attack on tourists in the southern resort town of Luxor. Today, whether the subject is tourism or the economy, conversation is often conducted in terms of pre- and post-

Although the government quickly implemented tight security measures following the incident, observers agree that it will take at least until September before there is any serious uptake in tourism.

Almost 90 percent of tourists come to Egypt on group tours and though some operators have included the destination in their autumn catalogues, many canceled excursions following the attack.

"Tourist terrorism won't threaten the stable regime or destroy the strong economy in Egypt today." says David Wilsford, political scientist and president of the Institute for American Universities in France. "But it certainly does not encourage people to book flights."

#### Boom and bust

Tourism in Egypt had been blossoming pre-Luxor. Nearly 4 million tourists arrived in 1997, compared with 1.5 million in 1985, and the industry earned the country over \$3 billion, or about 4 percent of GDP, in June of the 1996-97 financial year. It is, directly or indirectly, responsible for one job in 10.

"Tourism, particularly because of its ripple effect throughout the services industry, will always be a cornerstone of our economy, and anything that hurts it hurts the economy." says Mohamed Ozalp, the senior general manager of MIBank.

Indeed, the number of tourists visiting Egypt earlier this year had dropped by at least 50 percent: last month, there were only about 1,000 tourists a day visiting the Pyramids, compared with 4,000 a day a year ago. This drop is a blip on the screen, however, in terms of long-term development.

"As long as the Pyramids are standing, there is tremendous room for growth in tourism." says Mohamed Barakat, the managing director of the Egyptian Gulf Bank. In fact, there are still fewer hotel rooms in Egypt than in Las Vegas.

Observes Ibrahim Ahmed Kamel, chairman of the Kato Aromatics holding company: "We have tourism investments worth \$50 million, and nothing was canceled because of Luxor. In fact, our total investments will be doubled as tourism further diversifies in the recreational, business, health and adventure travel

Indeed, there is a plethora of new hotels at Red Sea and Mediterranean resorts, and the area between Sharm El Sheikh and Taba has been nicknamed the Egyptian Riviera." Though former chic haunts, like the Groppi tea house in Cairo and the San Stefano Hotel in Alexandria, are fading landmarks, contemporary tourism includes everything from the world's best-known hotel chains to a Pizza Hut near the

#### Royal treatment

There are, for the tourist, even some positive aspects to was delighted to find she had the bel. "I was entertained by an the current decline. "The buyer is king." says Maged Egyptian colonel and his wife in Abaza, general manager of the International Group for There were only 10 people on Aswan, and a vendor at the Edfu Investments, noting that a 50 percent discount is the

> "ECAPT: THE STABILITY DIVIDEND" was produced in its entirety by the Advertising Department of the International Herald Tribune. Writer: Joel Stratte-McClure is a freelance writer based on the French Riviera. PHOTOGRAPHS: Burn Iverson. PROGRAM DIRECTOR: Bill Mahder.

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# SPORTS

#### Pressure on Luyt

World Roundup

RUGBY UNION South Africa's National Sports Council met Friday to consider its reaction to the refusal of Louis Luyt, the white president of the South African Rugby Football Union, to resign.

The council had threatened a return to apartheid era boycotts if Luyt stayed, but on Friday Mluleki George, the head of the council. said Steve Tshwete, the country's sports minister was "confident" Ireland's tour to South Africa this month would go ahead. The council has accused Luyt of failing to bring blacks into the game.

South African rugby's ruling

body voted, 15 to 7, on Thursday for Luyt to resign. Even Luyt's sonin-law, Rian Oberholzer, the sport's chief executive officer, failed to support Luyt. But Luyt said the vote was not valid and refused to resign.

"I think the problem will be resolved within the next two weeks." said John O'Neill, chief executive of Australia, which is due to play South Africa in the Tri-Nations series. "There's an inevitability about Luyt's resignation."

• The English Rugby Football Union and England's elite clubs ended a dispute on Friday that had lasted almost two years and had threatened England's place in next

year's World Cup.
The International Rugby Board had said it would expel England from international rugby unless it reached a deal with its clubs.

Graham Smith, chairman of the RFU negotiating team, said Friday that the two sides had negotiated an agreement that would last "a minimum of seven years."
"I think the International Board

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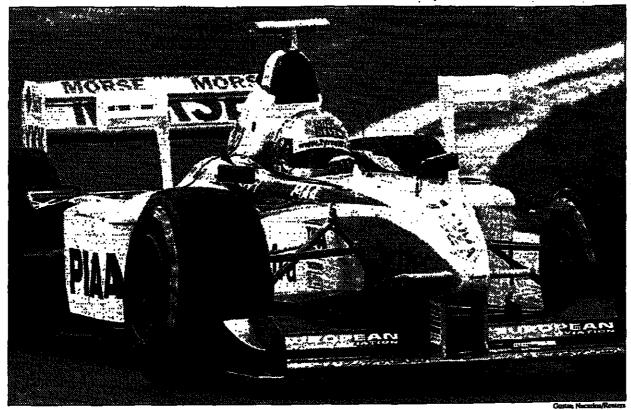
will accept the game will be run by the RFU," he said.

The deal limits England to eight international games a season. It also limits English players to a maximum of 37 games, for club and country, in a season.

• Kevin Bowring ceased to be coach of the Wales team on Friday. The Welsh rugby board said he didn't quit and wasn't fired, but left by mutual agreement. Wales will go to South Africa for a five-game tour in June. (AFP, AP, Reuters)

#### Laudrup Will Retire

SOCCER Michael Laudrup, the Denmark and Ajax Amsterdam striker, said Friday that he would retire after the World Cup. Laudrup, who turns 34 on June 15, the week the World Cup starts, has played 97 times for Denmark, scoring 36 goals. He has played for Juventus,



The Japanese driver Tora Takagi driving an x-wing-equipped Tyrrell in testing for the Spanish Grand Prix in Barcelona on Sunday. The wings, the white appendages on either side of the driver, have just been banned.

## Wings Must Go, Formula One Decides

By Brad Spurgeon International Herald Tribune

ARIS — A racing car, wrote F. T.

Marinetti, "is more beautiful than the 'Victory of Samothrace' " The 2,000-year-old Greek sculpture still sits in the Louvre, minus a head, but with her wings gloriously spread. It is unchanged in appearance since 1909, when Marinetti, the Italian founder of "futurism" — an artistic movement that glorified machines - made his comparison. In that time the cars have been transformed. Briefly this season some even gained wings.

But last week, the International Automobile Federation banned Formula One racing cars' latest aerodynamic appendage, which may indicate that aesthetics still count in motor racing.

The extra parts, which were fitted on the side of the car next to a driver's head, are known variously as x-wings, tower wings, side-pod wings, Penguins, candelabra or winglets.

A debate about them started two weeks ago between Max Mosley, the federation's president, and Formula One car designers.

The modernist dictum that "form follows function" caused most designers to elect to keep the ugly wings, even though they destroy the beauty of a car's natural lines, simply because they make the machines go faster.

The FIA nevertheless ordered that Grand Prix in Barcelona this weekend,

or future events, may be excluded from the race for "dangerous construction." "It was purely on safety grounds," said Francesco Longanesi, an FIA spokesman. "We can't take things off the cars based on aesthetics."

Twice this season x-wings have broken off cars in action, and the automobile federation argues that they could hit a driver. But no objections were heard when the wings were created last year by Mike Gascoyne, the designer of the Tyrrell car. Again, nothing was said earlier this year as Sauber, Prost, and Jordan adopted the wings during the first three races. But when Ferrari started to use them

at Imola two weeks ago, a Formula One

icon was being disfigured. After all, a 1990 Ferrari adorns the permanent collection of the Museum of Modern Art in New York, Originally part of an exhibit in 1993-1994 called "Designed for Speed," the Ferrari is one of three cars in

the museum's collection. In an article about the exhibition in the magazine Art in America. Richard Vine said the racing car "has all the defining characteristics of a work of art." He called it "rav-ishing," and said it "expresses a complex meaning," and serves an end that is "transcendental or esthetic." Its raison d'être, he added, "is seduction." Penguins are not seductive, said John

Barnard, who designed the 1990 Ferrari. But while Barnard calls them "dreadful," he had planned to use them on his

"Unfortunately with racing it's all

about crossing the finish line first," he said. "Aesthetics take second place. If you've got something that you can bolt on that makes it go quicker, you bolt it on. "But there's always a touch you can add that may not affect performance one way or the other - a curve here, a radius there where you're following a line

through, that doesn't cost you anything, but aesthetically it makes it look nicer. Barnard said that x-wings also got in the way of mechanics working on the car, engineers talking to drivers, and during refueling. But wind tunnel tests show they add downforce and make the car more aerodynamically efficient.

Barnard said the teams' designers, who meet periodically to discuss regulations with the FIA, did take aesthetics into consideration. He said that before this season they were asked to create a larger cockpit for safety reasons. For aesthetic reasons, they redesigned the suggested rectangle into a tapering box.

While he agrees that x-wings could be a safety hazard, he has his own list of ugly elements that should go.
"The next item on that list is the TV

camera on top of the roll hoop," Barnard said, referring to the camera with which every car must be fitted. "TV is the God. You can't touch it. Interestingly, you could make an argument on safety grounds with that, too.

Multicolored paint jobs and sponsor's logos also mar the car's natural line, and that's why he thinks the Ferthetic look to them," he said. "Because they're one solid color — red — you see a flow of line." His Arrows is solid black, except for the logos.

While Vine said Barnard's Ferrari looked "femininely voluptuous," with an "implicitly fertile midbody swelling," Barnard sees his Arrows as "a bit like an American football player: It's sort of got big shoulder pads and is overproportioned, chunky in the middle and tapering off to nothing at the back."

Christopher Mount, the curator of the MOMA exhibition, said Formula One was popular because of "the beauty of the automobiles." But the rules have made them "add on all these spaceship like things" that "destroy the basic sculptural form of an automobile."

So the FIA decision to ban x-wings serves art as well as safety.

# Even Between Teens. **Experience Counts**

## Hingis and Venus Williams Beat Young Foes

By Christopher Clarey International Herald Tribune

ROME - The 17-year-olds got the better of the 16-year-olds in the quarterfinals of the Italian Open on Friday.

It has come to that in women's tennis, which is quickly becoming very young women's tennis. Forget about the duespaying and other such time-honored principles. You don't need to be able to vote to smack a down-the-line backhand with power and precision.

But even gifted teenagers raised to believe in themselves and their groundstrokes can prove susceptible to pressure, which helps explain why the two most anticipated matches on this sunlit afternoon at the Foro Italico turned out to be duds. In the first, Venus Williams eliminated her younger sister, Serena, 6-4, 6-2. In the second, world No. 1 Martina Hingis disposed of Anna Kournikova, 6-2, 6-4. Both encounters

were filled with missed shots and missed opportunities. This was the second professional match between the Williams sisters, and it bore an unfortunate resemblance to the first, which Venus also won in straight sets in the second round of this

year's Australian Open. In Melbourne, Serena, normally an explosive and relatively consistent baseliner, lost her rhythm from the backcourt as Venus slowly but inexorably got her large hands around the match. In was little different on Friday. The first set was an ode to the unforced error.

Venus committed 15, double-faulted three times and had only one service winner. Serena committed 18 unforced errors, double-faulted twice and missed four very makeable groundstrokes when serving to stay in the set at 4-5. Serena would make 14 more un-

forced errors in the second set, in which Venus lifted her game slightly. When Serena lost the match with yet another backhand mistake, she trotted dispiritedly to the net, gave her sister's hand a cursory shake and then did the same to the chair umpire's hand, before packing her bag and walking briskly off court while Venus stayed to give interviews and sign a few autographs (after such a poor quality match, demand did not exceed supply). It was quite different to Australia, where the sisters held hands and bowed to the crowd.

"That was just a one-time thing,"

For those who watched Serena dominate the former clay court master

Conchita Martinez on Thursday, it was a strangely muted performance, and Serena was not eager to help solve the mystery. "I don't know, things happen, I guess," she said.

guess, she said. But if anyone thought Venus's victory might drive a small wedge between the sisters, they needed only to watch them play doubles later in the afternoon. They slapped each other's hands and shared confidences in customary fashion en route to a straight-sets victory.

So why can't they bring out the best in each other when they are on opposite sides of the net?

"I guess it's a different situation than normal," Venus said. "If we were to play in the final, it would be a little different. But as long as the commament is not over, we'd like it better if we were both still in the draw."

Venus, playing in her first Italian Open, will face Arantxa Sanchez Vicario, 26, in the semifinals. Sanchez Vicario rallied to beat Lisa Raymond of the United States, 6-7 (6-8), 6-1, 6-2. and looked fit and fresh enough to keep playing another three sets. Sanchez Vicario beat Venus easily in the final of the Sydney event in January, and though Venus has added layers to her game since then, the Spaniard will be favored again on clay, the surface on which she has won two French Opens.

In Saturday's other semifinal. Hingis will Mirjana Lucic, a 16-year-old Croatian, who advanced when Sandrine Testud defaulted with a leg injury after losing the first set, 7-5.

The only real difficulty Hingis experienced against a clearly jittery Kournikova was on the final point. Himgis led, 5-0, after only 14 minutes of play and had her first match point at 6-2, 5-1 on Koumikova's serve. But after Hingis: missed a straightforward forehand, the graceful Russian finally began to give her gallery of young Italian admirers reason to appreciate her tennis.

She would win the next three games and save four more match points before Hingis finally regained control. Nonetheless, the match was far less compelling than their three-set encounter in the third round of the Australian Open. Hingis holds a 4-0 career edge over Konrnikova, who is eight months younger and also never beat Hingis during their junior careers. That's important, especially men-

tally." Hingis said. "You could see it in the match. When she was out there, she was nervous and didn't really know what to do. So it helps me.



Venus Williams stretching for a forehand as she beat her sister, Serena.

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2, continuing the form he had

shown in the first round of

the playoffs when he led all

Capitals' Kolzig Holds Off Senators, 4-2 goalies in total saves.

WASHINGTON — Olaf Kolzig, the Washington goalkeeper, had another busy "Olie was outstanding." said Ron Wilson, the Capitals' coach, repeating three words he seems to use after every game these days. "They shoot night as the Capitals opened their Eastern Conference semifinal with a victory. the puck a lot. I felt a lot of Kolzig made 36 saves their shots were perimeter shots. Olie's a tough guy to Thursday as Washington beat the Ottawa Senators, 4beat from a distance.

The only goals allowed by Kolzig, who is 6-feet-3-inches (1.9 meters) tall and weighs 225 pounds (102 kilograms), came from Daniel Alfredsson on a 2-on-1 break in the first period and Andreas Dackell's backhander on a power play in the third.

'I didn't realize he was so big," said Bruce Gardiner, an Ottawa center, adding that with a goalie like that. "You've got to get him mov-ing side to side, giving up rebounds or deflections.

At the other end of the ice, Damian Rhodes struggled and was replaced by Ron Tugnutt after Washington scored its fourth goal. Rhodes was hot during the first-round upset of the New Jersey Devus, but Tugnutt has won seven of eight games against the

Capitals over two seasons. Adam Oates, Peter Bondra and Brian Bellows scored for Washington and have a combined 101 career playoff goals, 43 more than the entire Ottawa team.

Ottawa outshot the Capitals, however, 38-23.

"Being outplayed doesn't mean anything." said Craig Berube, another member of the Capitals' over-30 crowd. "It's the scoreboard that counts, and we try to keep everything in perspective and not panic."

The Capitals also got a first-period goal from Richard Zednik, a rookie. Stars 3, Oilers 1 Sergei Zubov, a defenseman, scored on two long-distance slap shots, and Ed Belfour sparkled in goal as Dallas beat visiting Edmonton.

Zubov powered two long shots past Curtis Joseph in the first period for a 2-0 lead for the Stars. Mike Keane added an insurance goal early in the third period when he best Joseph to the glove side after a goal-mouth feed by Mike. Modano. It was Modano's third assist of the game.

Belfour made 31 saves. Joseph, who didn't allow a goal in the last 166:54 of the playoffs after posting back-toback shutouts against Colorado in the first round, gave up three goals on just 14 shots.

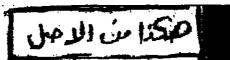
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#### *SPORTS*

### Return of Ewing Can't Save Knicks

The Associated Press INDIANAPOLIS

During Genoride

Patrick Ewing made his much-anticipated return from a fractured wrist, but he could contribute little as the New York Knicks fell two games behind in their second-round series against the Indiana Pacers.

Ewing shot just 3-for-11 two turnovers, two steals and

#### NBA PLAYOFFS

1

Knicks lost, 85-77, to the Pacers on Thursday night. "All it takes is one game under my belt," said Ewing,

who had been out since late December. "Patrick gave us a big lift, and I think he'll be better in have a better game." Ewing

so much to us." Mark Jackson of the Pacers said, "Our objective is to put this thing away before he

finds that rhythm." Ewing was on the court with the starting five, but lost the opening tip in what would turn out to be a long series of plays in which Ewing simply

was not his old self. He fumbled the ball the first time he touched it, dribbled is terribly, shot poorly and even had a late airball. Many of the Knicks denied it, but they seemed to lose the offensive flow they had grown accustomed to in Ewing's absence.

lapses, too, none of which were more costly than when he left Rik Smits wide open with I:31 left for a jumper that gave Indiana a 79-73 lead.

The Knicks closed to 79-77 on a lay-up by Ewing with 46 seconds left, but the Pacers held New York scoreless the rest of the way.

Smits scored 22 points and with six rebounds, four fouls, Reggie Miller had 21 for the Pacers, who again got a strong contribution from their reserves (28 points).

John Starks scored 20 to no assists in 27 minutes as the lead New York, while Allan Houston had 16 and Larry Johnson, returning from a two-game suspension for fighting with Alonzo Mourning of Miami in the first round, had 15.

the next game, said the said. My expectations are Knicks Chris Mills. We're high, and I believe in my-all happy he's back. He brings said. "My expectations are

The Knicks' coach, Jeff Van Gundy, said: "He did all right. He hasn't played in five his ground against Rik Smits of the Indiana Pacers. months. Early on he made foul trouble. In the second half he played much better. His presence back on the floor

was good for us." Jazz 109, Spurs 106 In Salt Lake City, the Spurs had a chance to win at the end of regulation — just like in Game 1.

This time, Tim Duncan passed the ball instead of shooting it, and a wide-open Jaren Jackson missed a 3pointer. "We've played just



Patrick Ewing of the New York Knicks, left, standing

some turnovers and got into we've had enough lessons."

Spurs' coach. The Jazz, who now lead the four-of-seven-game series, 2-0, hit five free throws in the last 15 seconds of overtime to

seal the victory. After scoring 33 points in Game 1, Duncan once again led the Spurs with 26 points. including 10 in the fourth quarter. But he missed his only field goal attempt and both of his free throws in overtime.

bounds, despite foul trouble. said Gregg Popovich, the Avery Johnson had another standout game for the Spurs,

scoring 21 points.

Malone led the Jazz with added 21 and John Stockton said, 'Way to go.' That's nice, especially

San Antonio and Utah also and Sunday. The Spurs lost the first two games by a total of four points.

## For Mets, It's All in the Family

حكدًا من الأجل

Mookie Wilson's Stepson, Preston, Gets 3 Hits as N.Y. Downs Cards

Preston Wilson, the 23-year-old five hits and three runs and struck out stepson of Mookie Wilson, the former seven batters in seven innings. New York Mets outfielder and current first base coach, got his first major league hit and quickly added two more as the Mets beat St. Louis.

Wilson, a rookie, went 3-for-4, drove in a run and stole a base as the Mets won, 4-1, on Thursday night in New York. Masato Yoshii allowed just two hits in

seven innings, including Brian Jordan's home run, and the Japanese-born pitcher

#### BASEBALL ROUNDUP

helped himself with his first big league hit, a two-run double that made it 3-1 in

the fifth. Fans who came out to Shea Stadium hoping to see Mark McGwire hit home runs instead saw the younger Wilson, also an outfielder, enjoy a special bigleague beginning.

'I can't ask for anything more," said Wilson, the Mets' top choice in the 1992 draft. "Anytime you get off to a good start, it helps you relax.'

After beating out an infield hit in his first at-bat, Wilson was greeted with a handshake from Mookie once he got

back to the bag.
"He said, 'Well, you got the first one.
Now run the bases,'" Preston said. Wilson also received congratulations from McGwire.

22 points, shooting 10-for-26 asked, according to Wilson. from the field. Jeff Hornacek "I said, 'Yes.'" Wilson said. "He

had 18 points and 12 assists. coming from a big man. Braves 6, Padres 3 In Atlanta, John will play back-to-back Smoltz, the Braves' starting pitcher, Games 3 and 4 on Saturday drove in three runs and got his third victory as the Braves won their fourth

straight. Smoltz (3-0) capped a four-run fourth wing's absence. as well as Utah in both games. David Robinson finished "It's a tough way to end inning with a two-run double off Joe major-league record. Ewing had a few defensive except down the stretch — with 21 points and 14 re- two games," Robinson said. Hamilton and added a run-scoring single "I made some go

Andres Galarraga homered for the

Braves, who have at least one homer in 19 consecutive games. Expos 2, Rockies 1 In Montreal, Carlos

Perez took a shutout into the ninth inning and won for the first time in 12 starts. Perez (1-3) allowed seven hits in eight-plus innings, struck out four and walked none. He gave up a leadoff triple to Ellis Burks to open the ninth, and Larry Walker followed with an run-scoring single. Ugueth Urbina finished for

his seventh save. Dodgers 4, Marlins 3 Ramon Martinez survived a shaky start to pitch eight innings and Raul Mondesi capped a comeback with a two-run single for visiting Los Angeles. Martinez gave up three runs in the first inning, then allowed only two hits after that.

Phillies 4, Diamondbacks 1 In Philadelphia, Curt Schilling allowed just three hits and struck out 12 in seven innings to lift his major league-leading strikeout total to 90, 45 ahead of the No. pitcher — the Chicago Cubs' Kerry Wood.

Pirates 8, Reds 7 In Pittsburgh, Jason Kendall's two-run single in the eighth capped the Pirates' comeback.

Bret Boone, Willie Greene and Chris Stynes homered as the Reds led 4-2 and 7-5 before the Pirates rallied with Kend-"Is that your first hit?" McGwire all's double and Turner Ward's runscoring single in the seventh. In American League games:

Blue Jays 6, Mariners 0 One day after Kerry Wood struck out 20 to tie Roger Clemens's major league record for a nine-inning game. Clemens stretched his his first home run in 463 at-bats — since streak of scoreless innings to 18 with the May 18, 1997 — and visiting Boston lost help of a different record.

Clemens won in Seattle as the Mar- two months. iners left 16 runners on base, tying a

you get in trouble, you've got to go to Clemens had six strikeouts in seven

innings while giving up seven hits and walking three. Earlier in the day, he had telephoned Wood to congratulate him for his 20 strikeout performance against

in the sixth. The right-hander gave up got in trouble," Clemens said. "When

Carlos Deigado gave Clemens all the support he needed by going 5-for-5 with a grand slam in the third inning.

Once you get out to a three- or fouror five-run lead, you can pitch a little more and go at guys." Clemens said. You by and pound guys when you have to. You try to overpower 'em. Then at times you've got to make some good

Clemens struck out Alex Rodriguez

with the bases loaded in the sixth. Ken Griffey went 3-for-5 with two doubles for Seattle, which went 0-for-10 with runners in scoring position against Clemens and 2-for-19 with runners in

scoring position overall. Indians 7, Rangers 2 Bartolo Colon pitched a four-hitter for his third career complete game as visiting Cleveland won its sixth straight.

Colon struck out five and walked two. losing the shutout when Will Clark hit a

two-run homer with one out in the

Tigers 6, Athletics 3 Andy Tomberlin and Bobby Higginson hit two-run homers as Detroit rallied for the second

straight day in Oakland. Tomberlin hit his first homer of the season in the sixth and Higginson hit his

sixth homer an inning later Royals 5, Red Sox 3 Jose Offerman hit consecutive games for the first time in

 In Chicago, the National League game between the San Francisco Giants "I made some good pitches when I and the Cubs was rained out,

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Pritsburgh 200 030 12s-8 9 1 Utah 20 31 22 19 11—199
Weathers, Sullivan (5), G. White (7),
Belinda (7), Snaw (8) and Toubensee; 3-52), Johnson 10-14 1-1 21; U: Molone 10-26 Loatza, Peters (7), Dessens (8), Ringon (9), Loiselle (9) and Kendall. W—Dessens 1-1, L—Betinda 1-5. Sv—Lotselle (8). HRs—Cincinatil. Symes (5), W. Greene (6), B. Boone (6). Pittsburgh. A.Marfin (5).

JAPANESE LEAGUES CINTRAL LIAGUE L T Pct .G8 8 0 .704 — 12 0 .571 34 PACIFIC LEAGUE W L T 15 11 0 13 10 0 0 565

PACIFIC LEAGUE

BASKETBALL NBA PLAYOFFS

CONFERENCE SEALIFINALS THURSDAY RESULTS

18 21 22 16— 77
22 23 18 21— 85 N.Y.: Storks 7-13 2-2 20. Houston 6-13 4-6 1& 1: Smits B-18 -6 42. Miller B-18 3-4 21. Rebounds—New York 54 (Oakley 9), Indiana 42 (D.Davis 9). Assists—New York 16 (Word 10), Indiana 15 (Jackson 5).

na leads series 2-0.

THAT 15, BUT

I CAN'T

WHERE ..

REMEMBER

2-422, Homacek 7-145-621. Rebounds—Sar Antonio 48 (Robinson 14), Utah 43 (Malane 12). Assists—San Antonio 19 (Del Negro 5), Utah 29 (Stociden 12). Utah jegas serjes 2-0.

ICE HOCKEY NHL PLAYOFFS SECOND BOUND, REST-OF-7

(sh), 2. W-Zednik 2 (Johansson, Bondra) Second Period: W-Ooles 4 (Gonchar) Third Period: W-Bondra 1 (Johansson) 5, W-Bellows 3 (Hunter, Jumenu) 6, O-Dockell 1 (Yoshin, Affredsson) (sp.) Sherts on good: O-14-12-12—38. W- 8-6-9—23. Godies: D-Rhodes, Tugnuti. W-Kotrio

0 1 0-1 2 5 1-3

First Period: D-Zubov 2 (Sydor, Modana) pp). 2, D-Zubov 3 (Modana, Marshall) lecand Period: E-Zelepukin 1 (Murray, es: E-Joseph. D-Belfour. Dailes leads series 1-0.

witzerland 4. Russia 2

SAID THAT, BUT

I CAN'T

THINK WHO IT WAS..

WORLD CHAMPIONSHIPS QUALIFYING ROUNS

STANDBIGGE Conndo 2 points: 54

FANDANGS: Switzerland 2 points: Czech ublic 2: Slovakia (); Russka ().

### SOCCER

COPA LIBERTADORES SECOND ROUND, RETURN LEG liver Plate, Argentina 1, Americo, Mexico, 0 River Plate won 2-1 on aggregate.

SUMMER FINAL, FIRST LEG

#### TENNIS ITALIAN OPEN

GERMAN OPEN FRIDAY IN HAMBURG, GER

ter, Austria, 6-3, 6-2 Albert Costa, Spain, def. Fabrice Sa

#### TRANSITIONS BASEBALL

#### TORONTO-Traded RHP Dane Johnson to Milwaukee for tuture considerations. Op-tioned RHP Carlos Almanzar to Syracuse. IL. Activated RHP Kelvim Escabar from 15-day tisabled list.

NATIONAL LEAGUE
ARIZONA--Reculled C Domion Miller from
Tucson, PCL Optioned LHP Ricky Pickett to

ATLANTA—Signed SS Ozzie Guillen. Des-lgnafed SS Ray Holbert for assignment. CINCINNATI—Optioned RHP Todd Willioms to inclanapors, i.e. Activated our meters.
Nieves from 15-day disabled list. Put RHP
Marc Knoon on 75-day disabled list. HOUSTON-Optioned LKP John Holama to

New Orleans, PCL.

NEW YORK—Put IF Craig Paquette on 15day disabled list. Called up OF Prestan
Wilson from Norfoß, IL.

SAN DIEGO—Acquired RHP Scott Sanders
from Dethal for player to be named. Assigned

ders to Los Vegas, PCL. FOOTBALL MATIONAL FOOTBALL LEAGUE ATLANTA-Signed DT Esers Tupolo. DENVER-Signed CB Tito Paul 2-year contract.
WASHINGTON-Re-signed DE Rich Owens.

DT Ryan Kuehl, DE Jamai Duff and PK Scott MATIONAL HOCKEY LEAGUE

AMANERAL Claimed LW Enc LeComple of Largage to Hamilton, AHL.

nior vice president of marketing and sales, Tim Well to vice sales and Mark Hulsey to vice pr

sky to Portland, AHL NCAA—Announced recertification (

### THE WEEK AHEAD

SATURDAY, MAY 9 AMERICAN FOOTBALL, NFL Europe:

ovessenom vs. Scotland. ATHLETICS, Osaka, Japan — Japan GOLF, Santa Pensa, Mallerca -GOLR, Souta Portsa, Mallorzz — men, Spanish Masters, to May 10; Ito Japan — men, Fujisankei Classic, to May 10; Tokyo — women, Gunze Cup World Ladles. to May 10; Duluth, Georgia — men, Be "South Classic, to May 10; Charlotte, North Carollina — seniors.

Home Depat Invitational, to May 10: Hickory, Tennessee — women: Sara Lee Classic, to GYMNASTICS, Seville, Spain — women.

GYMNASTICS, Seville, Spain — women, Rhythmic World Championships, to May 10. ICE HOCKEY, Switzerland—World Pool A championship, to May 17. RUGBY UNION, Amsterdam, Nother-lands — women's rugby World Cup. to May 16, Super 12: New South Wales vs. Welling-ton: Golden Cats vs. Conferbury; Western Produce s. Chan. Province vs. Ologo.

SOCCER, friendly internationals: Mexico

geria vs. Ghana.

YENNIS, Hamburg, Germany — men,
German Open, to May 10: Rome — women,
Italian Open, to May 10: Crast Springs. Florida — men, America's Red Clay Championship, to May 10.

SUNDAY, MAY 10 AMERICAN FOOTBALL, NFL Europe: England vs. Amsterdam; Barcelona vs. MOTOR RACING, Barcelona, Spain .

Formula One, Spanish Grand Prix Rio de Janeiro, Brazil — Indy-car, Championship Cars, Rio 400. RUGBY UNION. Super 12. Coastal Sharks sunao, Tokyo — Summer Grand Suma sumament to May 24.

Monday, May 11 TEMPIS. Rome — men, Italian Open, to

### TUESDAY, MAY 12

No major entries. WEDNESDAY, MAY 13

SOCCER, Stockholm, Sweden — Euro Dean Cup Winners' Cup final. THURSDAY, MAY 14

GOLF, Yoshino, Japan — men, PGA Championship, to May 17; Thame, England —men, Benson and Hedges Open, to May 17; Irving, Texas—men, Byron Nelson May 17; Wilmington, Delaware LPGA Championship, to May 17.

FRIDAY, MAY 15 Ladies, to May 17; Belton, Missouri niors, Spirit Luke's Classic, to May 17.

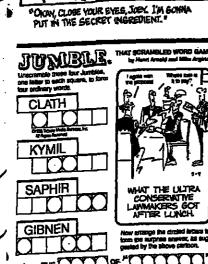
RUGBY UNION, Super 12: The Chiefs vs. New South Wales: Northern Transveol vs. Otaga.

SATURDAY, MAY 16 Fronkfurt vs. Amsterdam; Barcelona vs. Duessetfart. AMERICAN FOOTBALL, NEL EUROS

ason invitational C**YCLING,** Giro d'Ita<del>li</del>a HORSE RACING, Balth ress States. RUGBRY UNION, Super 12: Weilington v Auckland; ACT vs. Oueensland; Coast Shar vs. Canterbury; Golden Cats vs. Weste

SUNDAY, MAY 17 AMERICAN FOOTBALL NEI EUROP MOTORCYCLE RACING, Mu





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WHAT'S FOR DINNER

TONIGHT, COOKIE?





T KNOW WHERE YI KNOW WHO



SHOULD BE ON THAT

PROGRAM BECAUSE I'

KNOW ALL THE ANSWERS.



**BLONDIE** 



### Noikato Chiets 35, ACT Brumbies 15

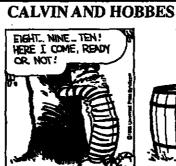
RUGBYUNION

SUPER 12

мескан снамрюнен

Aranter Sonchez Vicario (5), Spain, def. Lisa Raymond (15), U.S., 6-7 (6-8), 6-1, 6-2. Martina Hingis (1), Swäzerland, def. Anna Koumikova (14), Russia, 6-2, 6-4.

AMERICAN LEAGUE
CLEVELAND—Signed OF Mork Whiten.
KANSAS CITY—PUT RHP Hippolith Pichardo
on 15-day disabled list, Cotled up LHP Jamie
Walker from Omaha, PCL
TEXAS—Put OF Roberto Kelly on 15-day
disabled list, retroactive to April 26. Recalled
RHP Al Levine from Oklahonsa, PCL

















DOONESBURY



I MEAN, SURE, I'VE MADE A MILLING IN THE MARKET, AUTHORED ROUR BEST SALLER AND HAD AN AFFAIR AUTH MADONNA. BUT WHO



### To Judge Is Divine

West Kritter Patrol Dog Show, which is considered one of the most prestigious did seem to know a few things dog shows held in the entire about dogs, but I believe she Key West area on that par-

spend their entire lives sitting around being groomed and fed, like Zsa

Zsa Gabor. The show -This process was it benefits the complicated by the Kritter Patrol, which finds fact that many of people to adthe dogs were opt stray dogs and cats wearing costumes.

tude of Key West, where the WON the Trick Dog categoterm "business attire" means ry, even though her trick con-'wearing some kind of clothing." This is a show for regular civilian dogs, most of kick off her underpants. whom, if you had to identify Actually, that was a p them by breed, would fall under the category of: "prob-ably some kind of dog."

These are not pampered show animals, but hard-working. highly productive dogs owner would bring the dog up that spend their days industriously carrying out the vital biscuit at it, or play a harongoing dog mission of sniff-ing every object in the world, ("C'mon, Ralph! C'mon and then, depending on how it boy! Sing! C'mon! Woooee! smells, either (a) barking at it, C'mon! Woooee! C'mon!") (b) eating it, (c) attempting to mate with it. (d) making weewee on it or, in the case of small, excitable dogs, (e) all of the above.

When I arrived, the lastminute preparations were proceeding with the smooth consisted entirely of jumping efficiency of a soccer riot. There were dozens of dogs on hand, ranging from what appeared to be cotton swabs with eyeballs, all the way up to Hound of the Baskervilles. Naturally every single one of hiding under the judges' table. them, in accordance with the Nevertheless, when it was all rules of dog etiquette, was over approximately 43 hours dragging its owner around by the leash, trying to get a whiff of every other dog's personal was a big decision, and alregion. This process was though there was a strong and complicated by the fact that many of the dogs were wearing costumes, so they could compete in the Dog and Owner Look-Alike category.

Many owners were also wearing costumes, including one man with an old; totally motionless, sleeping Chihuahua: the man had very elaborately dressed both the dog butterflies. The man wore a and we judges were touched, sequined pantsuit, antennae although we did ask Frank to

and a huge pair of wings. Perhaps you are concerned that I, a humor columnist with fact, sleeping, and not actuno formal training or expertise ally deceased. in the field of dogs, was on the judging panel. You will be relieved to know that there were also two professional cartoonists, Mike ("Mother Goose

MIAMI — Recently it and Grimm'') Peters and Jeff was my great honor to ("Shoe") MacNelly, both of serve as a judge in the Key whom have drawn many expert cartoons involving dogs. Another judge, named Edith. was not totally 100 percent objective, inasmuch as her This is not one of those dog own dog, Peggy, was entered shows in which serious, in most of the events. Edith highly competitive dog snobs consistently gave Peggy high enter professional dogs that ratings despite the fact that can trace their lineage back Peggy is - and I say this with 153 generations and basically great affection — the ugliest dog in world history.

I think she might actually be a kind of sheep. Nevertheless, in Edith's high marks, Peggy díd well in several categories,

and actually sisted of - I swear this was the whole trick - trying to Actually, that was a pretty

good trick, considering the competition. The majority of the dogs entered in the Trick Dog event did not perform a trick per se. Generally, the while the dog either looked on with mild interest, or attempted to get off the stage and mate with the next contestant. My personal favorite in the Trick Dog category went to a very small, very excited poodle named Bunny whose trick, as far as I could tell, up and down and making ewee on a towel.

As you can imagine, it was not easy serving as a judge with so many strong contestants, both on the stage and after it started, we had to pick one dog as Best in Show. It objective push for Peggy, we decided, after agonizing for close to three-tenths of a second, to give the top prize to Sam, the old, totally motionless, sleeping Chihuahua dressed as a butterfly to match his owner, Frank.

Frank got quite emotional make Sam move his paw so we could see that he was, in

Because you have to have standards. @ 1998. The Miami Herald

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## Paris Holds Aloft the Philosophical Banner

By Marlise Simons New York Times Service

PARIS — It is 11 o'clock on a Sunday morning and more than 100 people have crammed into the small Café des Phares on the Place de la Bastille. This is an everyday bistro, ringed with busy traffic and a nearby street market. But inside there is a pious silence as the crowd hunkers down for an intensely French ritual: the practice of philo-

Practice is the key word here, for this is not about contemplating any grand theory or overthrowing deconstructionism. Once a week people of all ages and walks of life come here to grapple with life's many topics for the sheer pleasure of reasoning. Elsewhere philosophy may have crashed from its lofty pedestal, but it is still held high in France. Teenagers must study it in school on the premise that knowing how to think and argue is life's most pertinent skill.

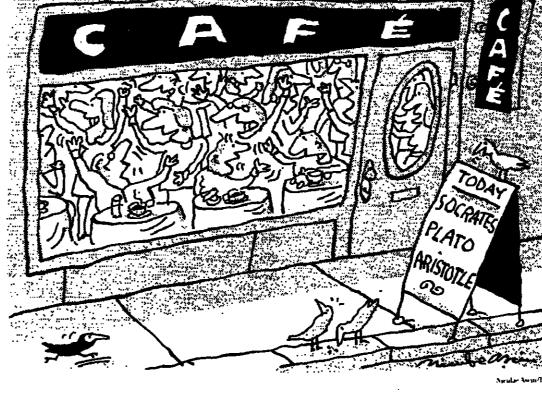
At the Café des Phares, the Sun-

day morning dialectic begins as usual with members of the audience suggesting topics. On this day the first speaker proposes. 'Is free-dom anarchy?' Some people groan. 'Is God dead?' provokes chuckles. More hands go up: "Can there be good and bad violence?"
"Is there life after love?" "Can one still speak of democracy with-

out laughing?"
The moderator collects the proposals and puts them to a quick vote. Soon a debate on the nature of guilt is under way. The game is played with gusto. Players calmly pass their verbal strokes back and forth with occasional sharp volleys. It seems to confirm the old tenet that the French are polemical as a matter of breeding.

Café society, of course, is as old

as brewed coffee itself. But the erudite kaffeeklatsch at the Café des Phares is different: Since the sessions first began here in 1992. they have become so popular they have generated a broad movement. As this café spilled over, some larly to cogitate out loud.



buffs moved to neighboring coffeehouses. From the Bastille neighborhood they spread around town.

At last count, Paris had 18 cafesphilo and across France there are now about 100. They are all in-dependent, linked only in an informal circuit. The phenomenon has already spawned several books. a television program and a bimonthly magazine, Philos. Other European cities have copied the formula, and similar gatherings take place in Brussels, Bonn, Geneva and London.

President Jacques Chirac, spotting a way to enhance France's image, even sent one of the founders on a mission to promote the idea in Latin America. Given that most of the philo-

sophy circles meet once a week, one might say almost categorically that thousands now gather regu-

"I work in an office all week." said Anne Pernot, trying to take group away from hazards like docnotes amid the espresso cups at Café Vavin in the Latin Quarter. "I come to clear my head. It's a moment of reflection. Sometimes I discover a new meaning where there wasn't any." At the Brasserie le Luxembourg, where a group re-cently debated the notion of tolerance, a man in his 40s said he

be able to talk to strangers. These days," he said, "if you talk to a stranger you're taken for a flirt or a drug addict.

attended regularly because he

found it a relief, even a pleasure, to

According to Philos, many groups follow the recipe first drawn up at the Café des Phares: Devotees find a café and set a time. No money is involved, no rent, no entrance fee. The audience proposes the topics and anyone can take the

guides the debate and steers the trines and speeches. The idea is "to create moments of philosophy that is, to pass from opinion to thought," Philos said.

Pascal Hardy, one of the founders of the movement, said he believes the cafés are political by nature because they reclaim philosophy from an inner circle of experts and bring it to ordinary citizens. He also sees the phenomenon as part of a rebellion against posturing pundits and intellectuals whose role in France includes offering weighty thoughts in the press.

The cafés are, in a way, a reappropriation of thought and discourse," he said. "Everyone is taken for what they say and not for what they represent socially. That is eminently political."

The idea, inevitably, has become floor. Ideally, a trained philosopher a subject of debate and analysis.

Some commentators have said philosophy now fills the void that arose at the end of the Cold War when the old left-right debate fizzled out. Others reckon that interest in philosophy is reviving as other systems like religion and psychoana. lysis fade, or as people lose trust in science.

'It makes me nauseous, this idea that philosophy is back as the new refuge," Hardy said. "It is the opposite of a refuge. It is about doubtabout questioning."

Cafe-philo organizers adamant.

y reject comparisons with the 1950s and '60s, when Jean-Paul Sartre and other French intellectuals held forth on the Left Bank at places like the Flore and the Deux Magots. The Sartre crowd was exclusive and talked only among themselves, they say, whereas the philo-café is an organized event with the floor open to anyone.

If there are any heroes in the philo-cafés, it is Socrates, because is dialectical method serves as the model for the discussions, and Seneca, for his pursuit of the well-being of the soul. There is in the dialogues the recurrent, uneasy thread that Western civilization is about to go through dramatic change and a sense that more solid grounding is needed to confront it.

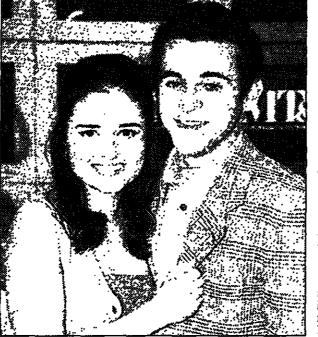
Many apparently go to the sessions to seek reassurance in these uneasy times or simply good com-

I come here to find an antidote to massive indigestion - the indigestion from the flood of information the flood of products, the flood of sound bites, said Bernard Alves, an office manager. He said he had understood that philosophy was about the search for a better life.

Anne Marie Leblanc, a real-estate agent, said she is a regular at the philo-café: "It helps me to pause and I find the promise of wisdom very exciting.

'Most of all,' she added, "it's the pleasure of being together and while being together, question ourselves.

### **PEOPLE**



CAST REUNION — The stars of the television series "The Wonder Years," Danica McKellar and Fred band, George Richey, her four children Savage, celebrating the show's 10th anniversary, and two stepchildren, and her grandchil- sicians, Michel Petrucciani, wants to set era and fulfill the promise of America."

THE three surviving Beatles have won a court battle to stop sales of a pirate died last month at age 55, following years of medical problems. "I want to create a place for jazz," he recording of a 1962 concert in Germany before they shot to stardom. George Har-rison, Ringo Starr, Paul McCartney, and John Lennon's widow, Yoko Ono, challenged claims by Lingasong Music that Lennon had given permission for the recording. In its ruling Friday, London's High Court agreed, and ordered Lingasong to deliver the recording to the former Beatles and stop future sales of a compact disk. The recording was made at The Star Club in Hamburg by Edward Taylor, leader of the 1960s band King Size Taylor and the Dominoes, who was playing a double bill with the Beatles.

Wearing his trademark black surgical something for my country, too,' Min and the Dominoes, who was playing a double bill with the Beatles.

Wearing his trademark black surgical something for my country, too,' Min and the Dominoes, who was playing a characteristic something for my country, too,' Min and the Dominoes, who was playing a characteristic something for my country, too,' Min and the Dominoes, who was playing a characteristic something for my country, too,' Min and the Dominoes, who was playing a characteristic something for my country, too,' Min and the Dominoes, who was playing a characteristic something for my country, too,' Min and the Dominoes, who was playing a characteristic something for my country, too,' Min and the Dominoes, who was playing a characteristic something for my country, too,' Min and the Dominoes, who was playing a characteristic something for my country, too,' Min and the Dominoes, who was playing a characteristic something for my country, too,' Min and the Dominoes, who was playing a characteristic something for my country, too,' Min and the Dominoes, who was playing a characteristic something for my country, too,' Min and the Dominoes, who was playing a characteristic something for my country, too,' Min and the Dominoes, who was playing a characteristic something for my country, too,' Min and the Dominoes, who was playing a characteristic something for my country, too,' Min and the Dominoes, who was playing a characteristic something for my country, too,' Min and the Dominoes, who was playing a characteristic something for my country, too,' Min and the Dominoes, who was playing a characteristic something for my country, too,' Min and the Dominoes, who was playing a characteristic something for my country, too,' Min and the Dominoes is the properties of the properti

Tammy Wynette, who picked cotton as a child and earned her living as a attracted dozens of fans and prompted hairdresser before becoming a country music star, said in her will that she wanted her children and grandchildren to get an education. The bulk of her estate was placed in three trusts benefiting her hus-

A New York City book dealer paid nearly \$240,000 at auction for a letter by

the writer Beatrix Potter that included her first drawing of the frog character Jeremy Fisher. The letter was rescued in 1978 by a girl in Connecticut, who spotted it in a box of junk her parents intended to throw away.

during a business trip in the U.S. Virgin Islands. The pop star's visit to the Virgin speculation that Jackson may be exploring the possibility of opening a hotel or theme park in the territory.

wrote in the daily newspaper Le Figaro. 'Jazz is in the process of dying.'

Kirk Douglas took to the op-ed page of the Los Angeles Times to inment the media's focus on sex gossip. He used a conversation with his son Michael Douglas to make his point. "Dad, you took the time to travel all over the world, at your own expense, talking about democracy in America. I want to do itics." "Politics!" Michael laughed 'What's so funny?" "Oh, Dad. Pol-

itics? And have them bring out that ! smoked pot in college and I inhaled! And they will write about every love affair I had — or didn't have." The elder Douglas concluded: "Our generation has certainly left a mess for our children and grandchildren to clean up. But I have One of France's best known jazz mu- faith. . . They will overcome the tablox:



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> Page 4, Page 5. Page 10 Pages 20-22

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